

City of Cumberland Maryland



Northern view of the City of Cumberland through the Narrows

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Comprehensive Annual Financial Report

of the

City of Cumberland Maryland

For the Fiscal Year Ended June 30, 2007

MAYOR
Lee N. Fiedler

COUNCIL MEMBERS

Floyd "Pete" Elliott
Harold "Butch" Hendershot

Ed Hendrick, Jr.
Mary Beth Pirolozzi

CITY ADMINISTRATOR
Jeffrey E. Repp

Prepared By:
Joseph D. Urban, CPA, Comptroller

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Introductory Section



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November 27, 2007

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Cumberland, Maryland

State law requires that all general purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report for the City of Cumberland, Maryland, for the year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City of Cumberland. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cumberland has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Cumberland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cumberland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The Management Discussion and Analysis portion of the Financial Statements provides greater detail regarding management's discussion of the financial condition of the City and what has transpired during fiscal year 2007.

The City's financial statements have been audited by Turnbull, Hoover & Kahl, P.A., a firm of licensed certified public accountants. The goals of the independent audit was to provide reasonable assurance that the financial statements of the City of Cumberland, Maryland for the fiscal year ended June 30, 2007, are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Government

The City of Cumberland is empowered to levying a property tax on both real and personal properties located within its boundaries. The City is also empowered by the state to extend its corporate limits by annexation, which occurs periodically when deemed necessary by the Mayor and Council. The Mayor and Council are responsible for the passing of ordinances, adopting the budget, appointing committees, and hiring both the City Administrator and the City Solicitor.

The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the city government, and for appointing the heads of the various departments.

The City of Cumberland provides a full range of services, including water, sewer, refuse, streets and drainage, recreation and parks, police, fire, planning and zoning, and community development. The cities schools and library are operated by Allegany County, Maryland.

The City of Cumberland was incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 20,758 and a land area of 9.1 square miles. The City has operated under the Council-Manager form of government since 1981.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within the City of Cumberland operates.

Economic Condition and Outlook

Cumberland is located in Allegany County of Western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, Cumberland closely resembles the Monongahela Valley (Mon. Valley) Industrial region of Western Pennsylvania and Northern West Virginia more than it does the rest of the state of Maryland. Like the Monongahela Valley, Allegany County experienced a rapid decline in high-paying manufacturing jobs during the 1980's. These losses were aggravated by the closure of Kelly Springfield (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. However, three major industrial employers: Alliant Tech (Rocket Center, MD), CSX (Cumberland, MD), and Westvaco (Luke, MD), continue to function within the region. The economy and unemployment rate of Allegany County have stabilized over the past ten years with unemployment rates decreasing from 9.3% in 1997 to 5.3% in 2007.

This stabilization of employment has created a greater diversified job segment and has allowed for jobs in the service, retail trade and government sectors to expand and fortify the regions economy outside of the manufacturing industry. However, the region has not completely abandoned its manufacturing past, as it has been able to attract a number of light manufactures in (Hunter Douglas) and (Bayliner), along with service industries (Biospherics) and (Litton Industries), as well as government employers (Western Correctional Institute) and (The Federal Correctional Institute).

Even with the regions increased job opportunities and stabilized economy, median household income has remained stagnant as compared to the rest of Maryland as the State's median household income increased from \$48,550 in 1997 to \$64,300 in 2007. While Allegany County has seen its median household income increase, it still lags greatly behind the rest of the State with income of \$29,050 in 1997 to \$36,650 in 2006. The reason for this is because, although the region has seen an influx of job opportunities, these jobs are consistently lower paying than the previous high-paying manufacturing jobs of the 1980's. These economic circumstances are particularly reflected within the families of the lower end of the economic ladder. According to the 1990 U.S Census, Allegany County poverty stood at 16.5% for all residents and 24.2% for children under the age of 18. It would be expected that the increased job opportunities and stabilized unemployment rate would drastically reduce these poverty numbers, however, according to the 2000 U.S. Census, the poverty numbers have not declined; in fact, they have

risen. The 2000 Census listed the overall poverty rate for Allegany County as 19.8% and 29.4% for children under the age of 18. With the regions continued economic development and continuing stabilized economy, specifically over the past five years, it is expected that these numbers will drastically decline with the 2010 Census.

Long Term Planning

In June 2005, the City issued its "Sustainable Economic Development Strategic Plan" that defined a program focusing the City's resources on actions that can most effectively promote a more prosperous economy. The City has made positive steps in advancing this plan with the creation and hiring of an economic development specialist and the recent hire of a city planner. The plan is available from the City's web site www.ci.cumberland.md.us.

The financial strength of the City has allowed the City to issue \$4.5 million in general obligation bonds this year. The main purpose of the bond is to fund major improvements to the City buildings and infrastructure, including George Street Garage. Revenues collected from the Parking garage will assist in repayments of the general obligation bonds.

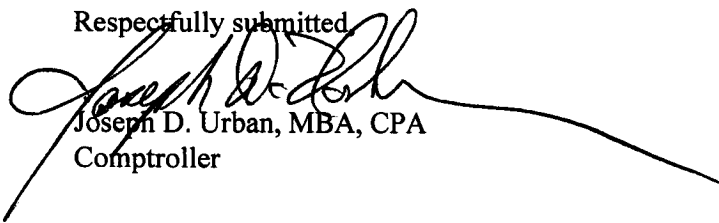
The Western Maryland Health System is proceeding with a project cost exceeding \$268 million for the construction of a new hospital and the relocation of its administrative offices, which will all be located within the City of Cumberland. This construction project and the operation of the new hospital are expected to have a positive impact on the City's economic growth.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governments who publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) that satisfies both generally accepted accounting principles (GAAP) and applicable legal requirements. The City believes that this CAFR meets the Certificate of Achievement Program's requirements and the City is submitting it to GFOA to determine its eligibility for a certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office and the Tax and Utility Office. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Administrator and the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Cumberland's finances.

Respectfully submitted



Joseph D. Urban, MBA, CPA
Comptroller

City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information

Central Contact Information:

City of Cumberland
PO Box 1702
57 North Liberty Street
Cumberland, Maryland
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(301) 722-2000

Mayor and Council:

Lee N. Fiedler, Mayor
lfiedler@ci.cumberland.md.us

Mary Beth Pirolozzi, Councilman
mbpirolozzi@ci.cumberland.md.us

Ed Hedrick Jr., Councilman
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Floyd "Pete" Elliott, Councilman
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Harold "Butch" Hendershot, Councilman
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Administration:

Jeffrey E. Repp, City Administrator
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Sharon Clark, City Clerk
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Margie Eirich, Economic Development
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Human Resources
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City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information (continued)

Fire Department
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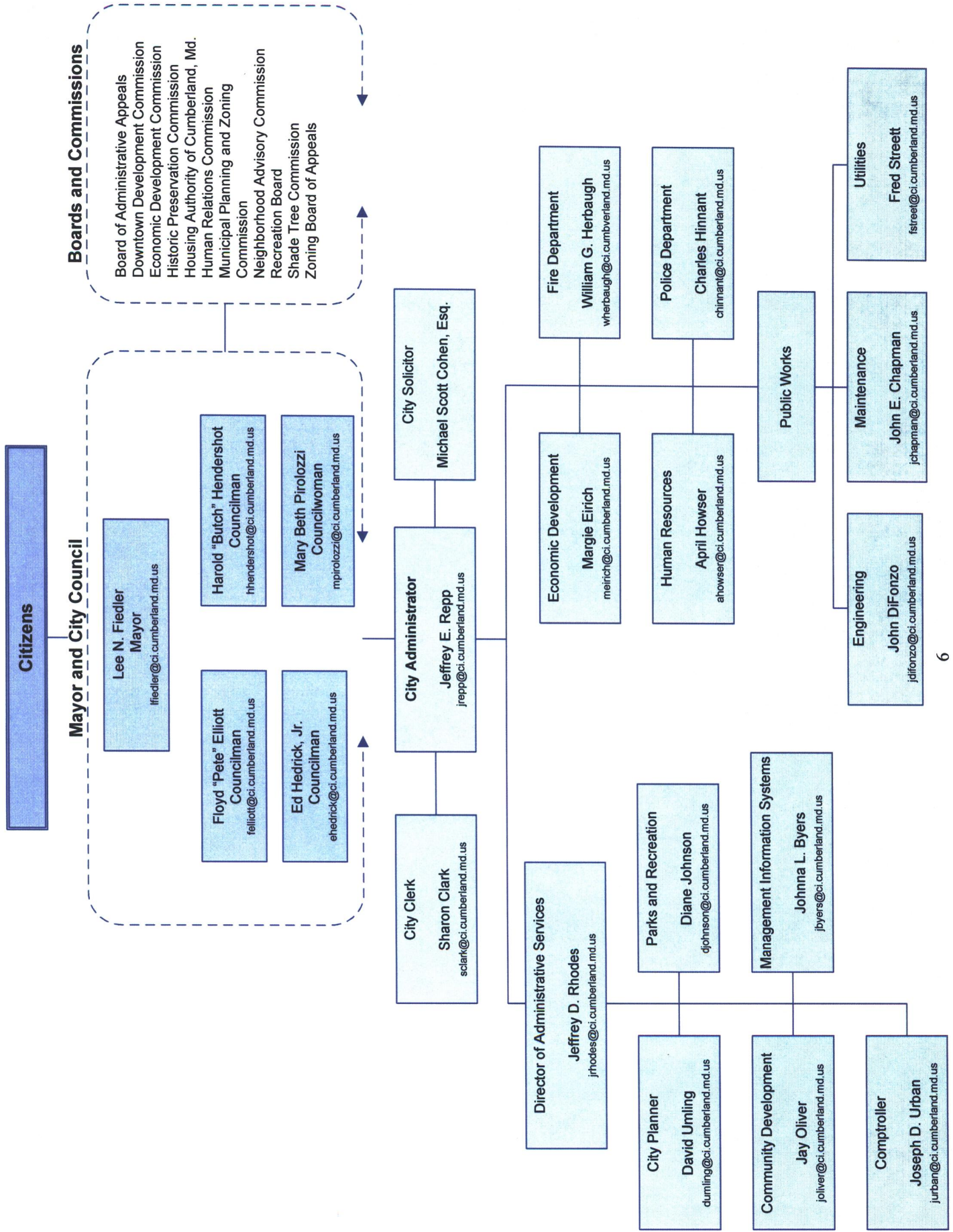
Parks and Recreation
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Finance and Collections
Joseph D. Urban
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David Umling
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City of Cumberland Organizational Chart

(June 2007)



Financial Section

David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA



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Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 9 through 17, the schedule of pension contributions on page 56, and the budgetary comparison information on page 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Turnbull, Hoover + Kahl, P.A.

Cumberland, MD
November 27, 2007

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Cumberland's financial performance provides an overview of the City's financial activities for the fiscal years ended June 30, 2007 and 2006, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

FINANCIAL HIGHLIGHTS

- The City's governmental activities net assets are \$15.6 million and \$14.8 million for fiscal years 2007 and 2006 respectively. The net assets of business-type activities are \$37.1 million and \$36.7 million for fiscal years 2007 and 2006 respectively. Net assets of governmental activities increased \$.7 million in fiscal year 2007, and decreased \$.4 million in fiscal year 2006. Net assets of business-type activities increased \$.4 million and \$.8 million for fiscal years 2007 and 2006 respectively.
- During the year, the City incurred expenses of \$11.5 million and \$11.6 million, in comparison to the \$8.7 and \$7.6 million generated in program revenues for governmental programs for fiscal years 2007 and 2006. General revenues in the amount of \$10.4 and \$10.1 million and transfer fees of \$1.8 million and \$1.1 million funded all with a surplus of \$.7 million for FY 2007 and a deficit of \$.4 million for FY 2006.
- The City's business-type activities generated \$2.2 and \$2.0 million of total revenue in excess of \$12.0 and \$11.9 million of expenses for fiscal years 2007 and 2006.
- The total cost of all of the City's programs was \$32.1 million for fiscal year 2007, and \$31.2 million for fiscal year 2006. There were no new programs added in FY 2007.
- On the Fund Financial Statements, the General Fund reported a \$.8 million surplus and \$.3 million surplus for the fiscal years 2007 and 2006.
- The City entered into a performance contract in the amount of approximately \$3.7 million to have a contractor make certain improvements to the City's infrastructure. This contract has been funded through a 15 year financing agreement. Under this contract, the contractor will make certain repairs and improvements to the City infrastructure which has been designed to generate operating efficiencies and costs savings. These cost savings will be the source of revenue to fund the debt payments for the term of the financing agreement.

- On September 28, 2006 issued \$4.5 million of new general obligation bonds to finance major upgrades to various facilities owned by the City.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements known as the basic financial statements. The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities that provide information about the activities of the City as a whole and present a long-term view of the City's finances. Also included are Fund Financial Statements. For governmental activities, these statements reflect how these services were financed in the short term, as well as what is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

An analysis of the City as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

These two statements report the City's net assets and changes in them. The City's net assets reflects the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator as to whether the City's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:

- *Governmental Activities* – Most of the City's basic services are reported here, including the police, fire & ambulance, public works, parks and recreation department and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- *Business-type Activities* – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems, parking facilities, and trash collection operations are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

An analysis of the City's major funds reflected in the Fund financial statements provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (specific projects), or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches. Beginning in fiscal year 2005, the Housing Assistance Fund became a major governmental fund under the criteria required by GASB and for fiscal year 2007, the Municipal Parking Authority Fund became a major proprietary fund.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be utilized in the near future to finance the City's programs. The relationship (difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is provided in the Reconciliation of the Balance Sheet to the Statement of Net Assets report on page 21.
- *Proprietary Funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net assets are \$52.7 million and \$51.5 million, with total revenues of \$33.2 million and \$31.6 million and total expenses of \$32.1 million and \$31.2 million for fiscal years 2007 and 2006, respectively.

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	FY07	FY06	FY07	FY06	FY07	FY06
Current and Other Assets	\$ 7,270,048	\$ 3,711,037	\$ 7,161,692	\$ 5,070,595	\$ 14,431,740	\$ 8,781,632
Capital Assets	<u>20,167,716</u>	<u>20,333,110</u>	<u>62,898,580</u>	<u>59,867,533</u>	<u>83,066,296</u>	<u>80,200,643</u>
Total Assets	<u>27,437,764</u>	<u>24,044,147</u>	<u>70,060,272</u>	<u>64,938,128</u>	<u>97,498,036</u>	<u>88,982,275</u>
Long-term Debt (net of current portion)	8,437,215	6,531,993	28,128,133	24,655,922	36,565,348	31,187,915
Other Liabilities	<u>3,448,930</u>	<u>2,654,397</u>	<u>4,798,892</u>	<u>3,562,039</u>	<u>8,247,822</u>	<u>6,216,436</u>
Total Liabilities	<u>11,886,145</u>	<u>9,186,390</u>	<u>32,927,025</u>	<u>28,217,961</u>	<u>44,813,170</u>	<u>37,404,351</u>
Net Assets:						
Invested in Capital Assets (net of debt)	14,091,543	14,711,560	35,809,340	33,748,518	49,900,833	48,460,078
Restricted	749,796	734,463	249,144	634,853	998,140	1,369,316
Unrestricted (deficit)	<u>710,280</u>	<u>-588,266</u>	<u>1,074,763</u>	<u>2,336,796</u>	<u>1,785,043</u>	<u>1,748,530</u>
Total Net Assets	<u>\$ 15,551,619</u>	<u>\$ 14,857,757</u>	<u>\$37,133,247</u>	<u>\$36,720,167</u>	<u>\$52,684,866</u>	<u>\$51,577,924</u>

Changes in Net Assets (In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	FY07	FY06	FY07	FY06	FY07	FY06
Revenues						
Program Revenues						
Charges for Service	\$2.7	\$1.7	\$13.5	\$13.3	\$16.2	\$15.0
Operating Grants	5.8	5.6			5.8	5.6
Capital Grants	0.2	0.3	0.5	0.6	0.7	0.9
General Revenues:						
Property Taxes	8.3	8.2			8.3	8.2
Other Taxes	0.2	0.1			0.2	0.1
Shared Revenues	1.3	1.3			1.3	1.3
Unrestricted Investment Earnings	0.1	0.1	0.2	0.04	0.3	0.1
Miscellaneous	<u>0.4</u>	<u>0.4</u>	<u>—</u>	<u>—</u>	<u>0.4</u>	<u>0.4</u>
TOTAL REVENUES	<u>19.0</u>	<u>17.7</u>	<u>14.2</u>	<u>13.9</u>	<u>33.2</u>	<u>31.6</u>
Program Expenses						
General Government	2.5	1.9			2.5	1.9
Public Safety	10.0	9.7			10.0	9.7
Public Works	3.0	3.0			3.0	3.0
Recreation	1.0	1.1			1.0	1.1
Community Development	3.2	3.2			3.2	3.2
Interest of LT Debt	0.3	0.3			0.3	0.3
Water			5.7	5.8	5.7	5.8
Sewer			4.8	4.6	4.8	4.6
Municipal Parking						
Authority			0.4	0.4	0.4	0.4
Trash			1.1	1.1	1.1	1.1
Property Rental			<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
TOTAL EXPENSES	<u>20.0</u>	<u>19.2</u>	<u>12.1</u>	<u>12.0</u>	<u>32.1</u>	<u>31.2</u>
Excess Before Transfers	-1.0	-1.5	2.1	1.9	1.1	0.4
Transfers	1.7	1.2	-1.7	-1.1	-	-
Change in Net Assets	0.7	-0.4	0.4	0.8	1.1	0.4
Net Assets-Beginning	<u>14.8</u>	<u>15.2</u>	<u>36.7</u>	<u>35.9</u>	<u>51.5</u>	<u>51.1</u>
Net Assets-Ending	<u>\$15.5</u>	<u>\$14.8</u>	<u>\$37.1</u>	<u>\$36.7</u>	<u>\$52.6</u>	<u>\$51.5</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$3,599,711 and \$488,047 million for fiscal years 2007 and 2006. This is an increase of \$3.1 million compared to fiscal year 2006.

For Governmental Funds, while most operating costs remained stable in FY 2007, there was an increase in the costs for public safety services which was primarily in the areas of salary costs for overtime payments to ensure the proper staffing coverage.

Fiscal year 2007, showed an increase of \$1.6 million for governmental fund revenue. Building permits increased approximately \$.95 million due to an unusual increase for permits related to the new hospital being constructed. Intergovernmental revenue from the State remained relatively stable, while operating grants from the Federal Government were increased by approximately \$.15 million. The assessable tax base for personal and real property taxes increased, which accounted for \$.2 million in additional tax revenues and Charges for Services accounted for approximately \$.2 million of the increase. The remaining increase of \$.1 million was interest income.

The \$.15 million of the increase in business activities is due to a slight increase in the water collection rates and a slight decrease in the sewer collection rates for FY 2007.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year. The second category includes changes that the Council made during the third quarter to adjust for unforeseen savings and expenses and to reflect a more accurate budget. Lastly, the Council approved several increases in appropriations to prevent budget overruns.

With these adjustments, the actual charges to appropriations (expenditures) were \$28,730 and \$20,724 below the final budgeted revenue amounts for fiscal years 2007 and 2006.

For the General Fund, there was a decrease in the income tax revenue from what was originally anticipated but there was an increase of approximately \$1.0 million in Licenses and Permits due to the receipt of building permit revenue for the new hospital. In addition, the revenue in the transfers-in for Other Financing Sources increased due to the transfers made to the General Fund from the Proprietary Fund activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007 and 2006, the City had \$20.2 and \$20.3 million invested in a broad range of capital assets for Governmental activities and \$62.8 and \$59.9 million for the Business-type activities.

This year the City completed several capital projects in the business type activities, which major projects included \$1,729,118 for the Fort Hill Tank Replacement Project, \$755,422 for the SCADA Project and \$29,012 for the GIS Water Mapping Project. There was another \$109,136 for projects that were started and completed during fiscal year 2007. The major projects that are still active and had additions to Work In Process for FY 2007 are as follows: the Water Meter Network for \$2,495,419, North End Pump Station for \$291,360, ENR Improvements for \$101,084, Center City Garage Rehabilitation for \$629,137, CSO, Phase II for \$268,257 and \$60,587 for other capital projects.

In the Governmental activities, the City had the following active projects, Rolling Mill Access Road for \$1,180,988, Traffic Lighting for \$37,143, a Municipal Agenda Project for \$28,247, Craft House Renovations for \$40,519 and various Energy Savings Projects for \$419,357. In addition the City replaced various vehicles which were added to the City's Capital Assets. The Bellevue Street Area Improvements and the JC Recreation Area Improvements were completed and moved to fixed assets for \$221,967 and \$179,395, respectively for FY 2007.

Debt

At year-end, the City had \$38.3 million and \$32.0 million in bonds, notes and leases outstanding for fiscal years 2007 and 2006.

Outstanding Debt at Year-End

	Governmental		Business-Type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	FY07	FY06	FY07	FY06	FY07	FY06
General Obligation Bonds	\$5,991,982	\$4,626,696	\$26,987,965	\$25,881,353	\$32,979,947	\$30,508,049
Notes and Leases	<u>2,019,579</u>	<u>1,002,193</u>	<u>3,310,224</u>	<u>514,854</u>	<u>5,329,803</u>	<u>1,517,047</u>
Totals	<u>\$ 8,011,561</u>	<u>\$ 5,628,889</u>	<u>\$ 30,298,189</u>	<u>\$ 26,396,207</u>	<u>\$ 38,309,750</u>	<u>\$ 32,025,096</u>

In fiscal year 2007, the City issued \$4.5 million in general obligation bonds with an interest rate of 4.36%, and also issued to \$6,219,000 in general obligation bonds with an interest rate of 3.63% to refund outstanding 1997 and 1998 general obligation bonds with interest rates of 5.79% to 5.41%. The City reduced its aggregate debt service payments by \$204,103 over the next six years.

The City entered into a long term lease agreement of \$3,749,401 for a performance contract, for the financing of certain capital improvements that are expected to return operating cost savings over the next 15 years, at an interest rate of 4.097%. The City also entered into a capital equipment lease agreement in the amount of \$456,000 at an interest rate of 3.96%. The detail of the various operating leases can be found on page 46 of this report, as a part of the notes to these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the City/County now stands at 5.4%, which was a .1% increase from FY 2006, but the rate has stabilized over the past ten years with unemployment decreasing from 9.3% in 1997. This compares with the State's unemployment rate of 4.0%.

These indicators were taken into account when adopting the General Fund budget for 2008. Amounts available for appropriation in the General Fund budget are \$16.8 million.

The City has added no new major programs or initiatives to the 2008 budget.

The City anticipates the purchase of additional capital equipment that will be financed through a capital lease, in the amount of \$804,500 with an interest rate of 3.82%.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are any questions about this report or if additional financial information is needed, please contact the City Comptroller's Office at P.O. Box 1702, Cumberland, Maryland, 21502 or 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash	\$ 664,216	\$ 241,903	\$ 906,119
Investments	2,391,758	532,861	2,924,619
Taxes receivable	972,319		972,319
Accounts receivable	251,562	2,362,808	2,614,370
Due from other governments	1,275,064	150,204	1,425,268
Internal balances	(85,529)	85,529	-
Prepaid expenses	760,297	165,606	925,903
Inventory	18,178	242,266	260,444
Total Current Assets	<u>6,247,865</u>	<u>3,781,177</u>	<u>10,029,042</u>
Noncurrent assets:			
Housing loans receivable	374,054		374,054
Loans receivable	418,709		418,709
Notes receivable	8,734		8,734
Restricted investments	220,686	3,380,515	3,601,201
Property, plant and equipment:			
Land and land improvements	994,096	814,579	1,808,675
Buildings & improvements	13,214,776	83,548,549	96,763,325
Machinery and equipment	6,221,560	4,638,094	10,859,654
Infrastructure	20,420,941		20,420,941
Construction in progress	1,706,254	4,099,804	5,806,058
Accumulated depreciation	(22,389,911)	(30,349,739)	(52,739,650)
Other assets		25,000	25,000
Deferred charge		122,293	122,293
Total Non-Current Assets	<u>21,189,899</u>	<u>66,279,095</u>	<u>87,468,994</u>
Total Assets	<u><u>\$ 27,437,764</u></u>	<u><u>\$ 70,060,272</u></u>	<u><u>\$ 97,498,036</u></u>
LIABILITIES:			
Current liabilities:			
Accounts payable	417,768	1,651,369	2,069,137
Accrued wages	363,375	113,526	476,901
Accrued interest	105,179	251,552	356,731
Deferred revenue	325,176	-	325,176
Deposits payable	22,841		22,841
Workers' comp payable	594,149	138,987	733,136
Current portion of compensated absences	732,782	228,343	961,125
Current portion of bonds and notes payable	887,660	2,415,115	3,302,775
Total Current Liabilities	<u>3,448,930</u>	<u>4,798,892</u>	<u>8,247,822</u>
Noncurrent liabilities:			
Bonds and notes payable (net of current portion)	7,123,901	27,658,203	34,782,104
Compensated absences (net of current portion)	1,301,307	469,930	1,771,237
Lenders loan pool payable	12,007		12,007
Total Non-Current Liabilities	<u>8,437,215</u>	<u>28,128,133</u>	<u>36,565,348</u>
Total Liabilities	<u>11,886,145</u>	<u>32,927,025</u>	<u>44,813,170</u>
NET ASSETS:			
Investment in capital assets (net of related debt)	14,091,543	35,809,340	49,900,883
Restricted for:			
Community Development	502,713		502,713
Housing Assistance Program	19,636		19,636
Other Purposes	227,447	249,144	476,591
Unrestricted (Deficit)	710,280	1,074,763	1,785,043
Total Net Assets	<u>15,551,619</u>	<u>37,133,247</u>	<u>52,684,866</u>
Total Liabilities and Net Assets	<u><u>\$ 27,437,764</u></u>	<u><u>\$ 70,060,272</u></u>	<u><u>\$ 97,498,036</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
General government	\$ 3,345,992	\$ (816,808)	\$ 632,090	\$ 19,449	\$ -	\$ (1,877,645)	\$ -	\$ (1,877,645)
Public safety	10,001,075		1,825,283	1,060,537	3,650	(7,111,605)		(7,111,605)
Public works	3,480,318	(437,166)	4,106	1,754,652	55,131	(1,229,263)		(1,229,263)
Recreation	984,452		146,491	6,649	95,427	(735,885)		(735,885)
Community development and housing	3,238,798		111,423	2,953,035	326	(174,014)		(174,014)
Interest on long-term debt	329,613					(329,613)		(329,613)
Total Governmental Activities	21,380,248	(1,253,974)	2,719,393	5,794,322	154,534	(11,458,025)	-	(11,458,025)
Business-type Activities:								
Water	5,088,813	601,908	7,270,405		20,000		1,599,684	1,599,684
Sewer	4,186,326	564,288	4,674,930		431,607		355,923	355,923
Municipal Parking Authority	387,032		440,612		-		53,580	53,580
Trash	997,569	87,778	976,787		-		(108,590)	(108,590)
Property Rental	73,890		146,755				72,865	72,865
Total Business-type Activities	10,733,660	1,253,974	13,509,489	-	451,607	-	1,973,462	1,973,462
Total Government	\$ 32,113,908	\$ -	\$ 16,228,882	\$ 5,794,322	\$ 606,141	\$ (11,458,025)	\$ 1,973,462	\$ (9,484,563)
General Revenues:								
Taxes:								
Property taxes						\$ 8,350,221		\$ 8,350,221
Franchise Fees						246,754		246,754
Other Taxes						153,686		153,686
Shared revenues						1,288,824		1,288,824
Unrestricted investment earnings						137,013	225,730	362,743
Miscellaneous						189,277		189,277
Transfers						1,786,112	(1,786,112)	-
Total General Revenues and Transfers						12,151,887	(1,560,382)	10,591,505
Change in Net Assets						693,862	413,080	1,106,942
Net Assets - Beginning						14,857,757	38,720,167	51,577,924
Net Assets - Ending						\$ 15,551,619	\$ 37,133,247	\$ 52,684,866

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 371,210	\$ 262	\$ 292,744	\$ 664,216
Investments	281,806		2,109,952	2,391,758
Taxes receivable	926,995		45,324	972,319
Accounts receivable	248,947		2,615	251,562
Due from other governments	672,658	149,001	453,405	1,275,064
Interfund receivables	596,101	-		596,101
Prepaid expenditures	730,596	-	29,701	760,297
Inventory	18,178			18,178
Restricted investment	220,686			220,686
Housing loans receivable			374,054	374,054
Loans receivable			418,709	418,709
Notes receivable			8,734	8,734
Total Assets	<u><u>\$ 4,067,177</u></u>	<u><u>\$ 149,263</u></u>	<u><u>\$ 3,735,238</u></u>	<u><u>\$ 7,951,678</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 312,770	\$ 1,629	\$ 103,369	\$ 417,768
Accrued wages	340,761	3,819	18,795	363,375
Interfund payables	-	145,221	536,409	681,630
Compensated absences	732,782			732,782
Deferred revenue	1,000,444	-	526,972	1,527,416
Lenders loan pool payable			12,007	12,007
Deposits payable	22,841			22,841
Workers' comp. claims payable	593,785		364	594,149
Total Liabilities	<u>3,003,383</u>	<u>150,669</u>	<u>1,197,916</u>	<u>4,351,968</u>
FUND BALANCES:				
Fund balances (deficit):				
Reserved for restrictions	220,686	19,636	-	240,322
Reserved for long-term assets			476,322	476,322
Reserved for inventories	18,178			18,178
Reserved for prepaids	730,596	-	29,701	760,297
Reserved for encumbrances	30,046		5,631	35,677
Unreserved:				
Undesignated-General Fund	64,288			64,288
Undesignated-Special Revenue Funds		(21,042)	115,492	94,450
Undesignated-Capital Projects Fund			1,910,177	1,910,177
Total Fund Balances (Deficit)	<u>1,063,794</u>	<u>(1,406)</u>	<u>2,537,323</u>	<u>3,599,711</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,067,177</u></u>	<u><u>\$ 149,263</u></u>	<u><u>\$ 3,735,239</u></u>	<u><u>\$ 7,951,679</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

Fund Balances - Total Governmental Funds \$ 3,599,711

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	42,557,627	
Less: Accumulated Depreciation	<u>(22,389,911)</u>	20,167,716

Long-term liabilities, including a portion of compensated absences are not due and
and payable in the current period and therefore are not reported in the
governmental funds.

Governmental Bonds and Notes Payable	(8,011,561)	
Compensated Absences	(1,301,307)	
Accrued Interest	<u>(105,180)</u>	(9,418,048)

Deferred revenue reported on modified accrual basis of accounting in governmental
funds is susceptible to full accrual on the entity-wide statements.

Deferred Revenue	<u>1,202,240</u>
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Net Assets of Governmental Activities	<u><u>\$ 15,551,619</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Housing Assistance Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,478,406	\$ -	\$ 173,706	\$ 8,652,112
Licenses and permits	1,129,714			1,129,714
Intergovernmental	3,743,521	1,617,131	2,032,682	7,393,334
Charges for services	1,210,380			1,210,380
Fines and forfeitures	25			25
Interest	53,413		87,059	140,472
Miscellaneous	603,190	1,601	72,471	677,262
Total Revenues	<u>15,218,649</u>	<u>1,618,732</u>	<u>2,365,918</u>	<u>19,203,299</u>
Expenditures:				
Current:				
General government	1,606,847		442,269	2,049,116
Public safety	9,642,499		365,802	10,008,301
Public works	2,608,485		-	2,608,485
Recreation	917,088		91,252	1,008,340
Community development and housing	460,981	1,677,982	1,223,086	3,362,049
Capital Outlay			916,129	916,129
Debt service:				
Principal	715,842		47,989	763,831
Interest	271,527		28,465	299,992
Bond Issue Costs	8,001		6	8,007
Total Expenditures	<u>16,231,270</u>	<u>1,677,982</u>	<u>3,114,998</u>	<u>21,024,250</u>
Revenues in Excess of (Less Than) Expenditures	<u>(1,012,621)</u>	<u>(59,250)</u>	<u>(749,080)</u>	<u>(1,820,951)</u>
Other Financing Sources (Uses):				
Transfers-in	1,857,667	44,185	395,971	2,297,823
Transfers-out	(302,931)		(208,780)	(511,711)
Financing proceeds	274,000	-	2,844,258	3,118,258
Refunding bond proceeds	1,226,597		-	1,226,597
Payment to refund bonds	(1,198,352)		-	(1,198,352)
Total Other Financing Sources	<u>1,856,981</u>	<u>44,185</u>	<u>3,031,449</u>	<u>4,932,615</u>
Net Change in Fund Balance	844,360	(15,065)	2,282,369	3,111,664
Fund balance, beginning	<u>219,434</u>	<u>13,659</u>	<u>254,954</u>	<u>488,047</u>
Fund balance (deficit), ending	<u>\$ 1,063,794</u>	<u>\$ (1,406)</u>	<u>\$ 2,537,323</u>	<u>\$ 3,599,711</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE STATEMENT OF THE GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 3,111,664

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.

Expenditures for Capital Assets	1,454,302	
Less: Current Year Depreciation	<u>(1,619,696)</u>	(165,394)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current year.

Bond and Loan Proceeds	(4,344,855)	
Principal Payments	<u>1,962,183</u>	(2,382,672)

Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.

Deferred Revenue		(168,874)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Long-term compensated absences	328,760	
Accrued interest adjustment	<u>(29,622)</u>	<u>299,138</u>

Change in Net Assets of Governmental Activities		<u><u>\$ 693,862</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 52,274	\$ 106,764	\$ -	\$ 82,865	\$ 241,903
Investments	373,757	159,104	-	-	532,861
Accounts receivable	1,315,822	901,705	18,960	126,321	2,362,808
Due from other governments	-	150,204	-	-	150,204
Prepaid Expenses	164,455	1,151	-	-	165,606
Inventory	241,370	896	-	-	242,266
Interfund receivables, current	-	449,980	-	-	449,980
Total Current Assets	2,147,676	1,769,804	18,960	209,186	4,145,628
Noncurrent Assets:					
Interfund receivables, non-current	119,233	355,954	-	-	475,187
Restricted Investment	1,303,002	696,361	1,381,152	-	3,380,515
Land and land improvements	187,634	446,208	180,737	-	814,579
Buildings and improvements	41,638,325	36,737,242	3,889,189	1,283,793	83,548,549
Machinery and equipment	2,336,875	2,065,930	235,289	-	4,638,094
Accumulated depreciation	(13,563,223)	(14,854,650)	(1,546,913)	(384,953)	(30,349,739)
Construction in progress	1,554,693	1,849,913	695,198	-	4,099,804
Deferred charge	86,104	14,829	21,046	314	122,293
Evitts Creek Water Company capital stock	25,000	-	-	-	25,000
Total Non-Current Assets	33,687,643	27,311,787	4,855,698	899,154	66,754,282
Total Assets	\$ 35,835,321	\$ 29,081,591	\$ 4,874,658	\$ 1,108,340	\$ 70,899,910
LIABILITIES					
Current Liabilities:					
Accounts payable	489,797	828,040	288,845	44,687	1,651,369
Accrued wages	51,578	55,854	6,094	-	113,526
Accrued interest	136,267	81,975	33,237	1,073	251,552
Interfund payables, current	250,832	125,416	-	-	376,248
Workers' comp. claims payable	138,021	966	-	-	138,987
Current portion of compensated absences	105,592	111,510	11,241	-	228,343
Current portion of bonds and notes payable	1,623,671	530,224	254,171	7,049	2,415,115
Total Current Liabilities	2,794,758	1,733,985	593,588	52,809	5,175,140
Noncurrent Liabilities:					
Compensated absences (net of current portion)	202,142	234,814	32,974	-	469,930
Interfund payables, non-current	-	-	159,055	304,335	463,390
Bonds and notes payable (net of current portion)	18,482,992	6,307,546	2,811,702	55,963	27,658,203
Total Non-Current Liabilities	18,685,134	6,542,360	3,003,731	380,298	28,591,523
Total Liabilities	21,479,892	8,276,345	3,597,319	413,107	33,766,663
NET ASSETS					
Invested in capital assets, net of related debt	13,101,499	20,103,234	1,768,779	835,828	35,809,340
Restricted	249,144	-	-	-	249,144
Unrestricted	1,004,786	702,012	(491,440)	(140,595)	1,074,763
Total Net Assets	14,355,429	20,805,246	1,277,339	695,233	37,133,247
Total Liabilities and Net Assets	\$ 35,835,321	\$ 29,081,591	\$ 4,874,658	\$ 1,108,340	\$ 70,899,910

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Operating Revenues:					
Charges for Services:					
Domestic	\$ 2,546,703	\$ 2,845,944	\$ -	\$ 960,029	\$ 6,352,676
Industrial	1,985,003	406,929	-	2,342	2,394,274
Sanitary commissions	-	1,332,987	-	-	1,332,987
Water companies	2,628,066	-	413,852	-	2,628,066
Rents/Concessions	-	-	-	146,755	560,607
Connection Charges	32,678	4,980	-	-	37,658
Other	77,955	84,080	26,760	14,416	203,211
Total Operating Revenues	<u>7,270,405</u>	<u>4,674,930</u>	<u>440,612</u>	<u>1,123,542</u>	<u>13,509,489</u>
Operating Expenses:					
Personal services	1,902,722	1,947,904	181,305	-	4,031,931
Utilities	207,325	309,780	23,453	-	540,558
Supplies	287,789	160,908	-	12,088	460,785
Repairs and maintenance	580,131	306,954	7,479	2,942	897,506
Landfill fees	-	-	-	456,329	456,329
Depreciation	1,001,969	988,924	89,289	45,911	2,127,093
Contractual services	118,571	285,225	3,193	522,767	929,756
Other operating expenses	1,013,834	595,159	8,386	115,740	1,733,119
Total Operating Expenses	<u>5,112,341</u>	<u>4,595,854</u>	<u>313,105</u>	<u>1,155,777</u>	<u>11,177,077</u>
Operating Income (Loss)	<u>2,158,064</u>	<u>79,076</u>	<u>127,507</u>	<u>(32,235)</u>	<u>2,332,412</u>
Non-Operating Revenues (Expenses):					
Interest income	72,770	92,836	60,124	-	225,730
Interest expense	(571,471)	(152,991)	(72,777)	(3,445)	(800,684)
Amortization expense	(6,909)	(1,769)	(1,150)	(45)	(9,873)
Total Non-Operating Income (Loss)	<u>(505,610)</u>	<u>(61,924)</u>	<u>(13,803)</u>	<u>(3,490)</u>	<u>(584,827)</u>
Net Income Before Contributions and Transfers	1,652,454	17,152	113,704	(35,725)	1,747,585
Capital contributions	20,000	431,607	-	-	451,607
Operating transfers-(out)	(472,835)	(852,848)	(60,124)	(390,305)	(1,786,112)
Net Income (Loss)	<u>1,199,619</u>	<u>(414,089)</u>	<u>53,580</u>	<u>(426,030)</u>	<u>413,080</u>
Net assets-beginning of year	<u>13,155,810</u>	<u>21,219,335</u>	<u>1,223,759</u>	<u>1,121,263</u>	<u>36,720,167</u>
Net assets-end of year	<u>\$ 14,355,429</u>	<u>\$ 20,805,246</u>	<u>\$ 1,277,339</u>	<u>\$ 695,233</u>	<u>\$ 37,133,247</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:					
Cash receipts from customers	\$ 7,253,116	\$ 4,616,037	\$ 394,917	\$ 1,096,563	\$ 13,360,633
Cash payments to suppliers	(2,265,629)	(1,116,620)	205,505	(1,112,001)	(4,288,745)
Cash payments for personal services	(1,961,605)	(1,987,246)	(181,826)	-	(4,130,677)
Other operating receipts	77,955	84,080	26,760	14,416	203,211
Net Cash Provided (Used) Operating Activities	3,103,837	1,596,251	445,356	(1,022)	5,144,422
Cash Flows from Noncapital Financing Activities:					
Operating transfers (to) other funds	(472,835)	(862,848)	(60,124)	(390,305)	(1,786,112)
Loans from (to) other funds	131,599	505,543	80,067	112,970	830,179
Net Cash Provided (Used) by Noncapital Financing Activities	(341,236)	(357,305)	19,943	(277,335)	(955,933)
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	20,000	353,814	-	-	373,814
Acquisition and construction of capital assets	(2,096,045)	(2,189,770)	(571,199)	-	(4,857,014)
Proceeds from capital debt	6,636,639	1,635,131	2,688,830	-	10,960,600
Principal paid on capital debt	(5,506,781)	(453,022)	(1,129,687)	(6,691)	(7,096,181)
Interest paid on capital debt	(636,435)	(161,320)	(115,804)	(3,590)	(917,149)
Deferred financing charge	(24,654)	(1,217)	(16,411)	-	(42,282)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,607,276)	(816,384)	855,729	(10,281)	(1,578,212)
Cash Flows from Investing Activities:					
Interest on investments	72,770	92,836	60,124	-	225,730
Net sale (purchase) of investments	(931,004)	(433,506)	(1,381,152)	-	(2,745,662)
Net Cash Provided (Used) by Investing Activities:	(858,234)	(340,670)	(1,321,028)	-	(2,519,932)
Net Increase (Decrease) in Cash and Cash Equivalents	297,091	81,892	-	(288,638)	90,345
Cash and Cash Equivalents at Beginning of Year	128,940	183,976	-	371,503	684,419
Cash and Cash Equivalents at End of Year	\$ 426,031	\$ 265,868	\$ -	\$ 82,865	\$ 774,764

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Assets					
Cash balance-Statement of Net Assets	\$ 52,274	\$ 106,764	\$ -	\$ 82,865	\$ 241,903
Investment balance-Statement of Net Assets	373,757	159,104	-	-	532,861
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 426,031</u>	<u>\$ 265,868</u>	<u>\$ -</u>	<u>\$ 82,865</u>	<u>\$ 774,764</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 2,158,064	\$ 79,076	\$ 127,507	\$ (32,235)	\$ 2,332,412
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,001,969	969,924	89,289	45,911	2,127,093
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	60,666	25,187	(18,935)	(12,563)	54,355
(Increase) decrease in prepaid expenses	(161,724)	(238)	199	-	(161,763)
(Increase) decrease in inventory	(33,454)	18,502	-	-	(14,952)
(Increase) decrease in accounts payable	(822)	522,176	247,817	(2,135)	767,036
Increase in workers' comp. claims payable	138,021	966	-	-	138,987
Increase (decrease) in accrued wages and compensated absences	(58,883)	(39,342)	(521)	-	(98,746)
Net cash provided (used) by operating activities	<u>\$ 3,103,837</u>	<u>\$ 1,596,251</u>	<u>\$ 445,356</u>	<u>\$ (1,022)</u>	<u>\$ 5,144,422</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Cumberland, Maryland (the City) was incorporated January 23, 1815. The City operates under a City-Administrator form of government per Charter Amendment #79 dated November 10, 1980 and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance, sewer, streets, water), recreation, community development and housing, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Financial reporting entity

The reporting entity includes all of the City's departments and agencies.

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined it does not have any component units required to be included in its financial statements.

C. Basic Financial Statements

The City's basic financial statements include both (1) government-wide (reporting the City as a whole) and (2) fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, recreation, public works, community development and housing, and general administrative services are classified as governmental activities. The City's water, sewer and trash services, municipal parking authority and property rental operations are classified as business-type activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Government-wide financial statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, urban development and housing, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, or income taxes, intergovernmental revenues, interest income, etc.).

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, and certain special revenue funds. To accomplish this allocation, the General Fund charges an administrative service charge to those funds to recover the costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.). The government-wide financial statements present this allocation in a separate column entitled "Indirect Expense Allocation". In the fund financial statements described below, these charges are reported as expenses in the Water, Sewer, Trash and special revenue funds rather than in the General Fund.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes or that have been segregated by management to account for resources.
- c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Major Funds – Government-wide Fund Financial Statements

GASBS No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Assistance Fund accounts for the administration and payment of rent to provide improved housing for low income residents of the City of Cumberland. Funding is provided by the Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. Approximately 500 individuals are assisted annually.

The City reports the following major proprietary funds:

The Water Fund accounts for the acquisition and maintenance of the water service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Sewer Fund accounts for the acquisition and maintenance of the sewer service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Municipal Parking Authority accounts for the acquisition and maintenance of the municipal parking facilities within the boundaries of the City of Cumberland, which are available for use by the public.

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting and utilize the economic resource focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when eligibility requirements have been met.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting and utilize the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

Cash

Cash and cash equivalents in the statement of cash flows includes currency on hand, demand deposits and investments with maturities of three months or less.

Investments

Investments for all funds are reported at fair value, which is determined using selected bases. Short-term investments such as overnight repurchase agreements, repurchase agreements, and U.S. Treasury obligations are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments with the MD Local Government Investment Pool are reported at current value.

Inventory

Inventory is valued at the lower of cost or market using the first-in first-out cost method. The inventory is recorded as an asset when purchased and charged to expenditure when used.

Receivables

The accounts receivable in the Water Fund and Sewer Fund represent gross receivables of the respective funds with no valuation allowance made for doubtful accounts since the City has preferred status in that water and sewer services are not resumed for the property until the receivables are collected. Similarly no valuation allowance is made for real estate property taxes receivable since title to real property does not pass until real estate taxes are paid in full.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables" and "interfund payables" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Any long-term portion of interfund receivables, as reported in the fund financial statements, is offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	3-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Deferred Revenues – Fund Financial Statements

Property tax revenue is required to be recognized in the fiscal year for which taxes have been levied, provided they are available to finance the budget for a particular period. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Generally accepted accounting principles provide that such time thereafter shall not exceed sixty days. To the extent property tax levies have not been collected within sixty days past year-end, the City has deferred the revenue.

In accordance with Governmental Accounting Standards Board Statement 33, non-exchange revenue (for example, most taxes, grants, and private donations) not received within sixty days after the fiscal year end is deferred and recognized as revenue in future periods when it becomes available.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

consists primarily of bonds payable, notes payable, accrued compensated absences, and capital leases payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide financial statement. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Bond Discounts and Issuance Costs

In the governmental funds, bond discounts and issuance costs are treated as period costs in the year of issues.

In proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other costs.

At the government-wide level these costs in the governmental funds are adjusted and reported in the same way as in proprietary funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The following funds were affected:

	Total Interest Costs Incurred	Interest Charged To Expense	Interest Cost Capitalized	Interest Revenue Used to Offset Interest Costs	Net Capitalized Interest
Water Fund	\$ 632,216	\$ 571,471	\$ 60,745	\$ -	\$ 60,745
Sewer Fund	188,140	152,991	35,149	-	35,149
MPA Fund	130,716	72,777	57,939	-	57,939
Non-Major Proprietary Funds	3,445	3,445	-	-	-

Interest costs are expensed when incurred by governmental fund types where proceeds are used to finance the construction of capital assets.

Operating and Non-Operating Revenues

The statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as water, sewer, and trash fees, result from exchange transactions associated with the principal activities of the City. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the City's principal activities (such as investment income) and from all non-exchange transactions (such as grants).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. Supplemental appropriations in the amount of \$1,321,571 were approved for fiscal year 2007 during fiscal year 2007 and fiscal year 2008.

Annual budgets for other governmental fund types are not adopted and therefore are not presented.

The City has elected to employ the use of encumbrance accounting for financial and budgetary reporting purposes for the governmental funds in order to carry forward the requisite governmental funds for purchase orders that are outstanding at year end and where these commitments are intended to be fulfilled. These governmental funds are reserved and are not available for new spending. Appropriations for proprietary fund generally lapse at year end and are treated as expenditures in the year the liability is incurred.

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Expenditures may not legally exceed appropriations at the function level.

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.
6. The Mayor and City Council can approve budget amendments between departments during the year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Net Assets/Fund Balance Deficit

The following funds had deficit fund balances at June 30, 2007:

Trash Fund	(234,989)
Capital Projects	(17,953)
CDBG	(33,934)
Program Open Space	(39,706)
Section 8	(1,406)
Tax Increment Financing District	(78,128)
Police Grants	(111,077)
Miscellaneous Special Revenue Funds	
Economic Development	(9,250)
Special Recreation	(18,340)

All of the aforementioned funds will have their deficit fund balances restored with the recognition of deferred revenue at June 30, 2007 as revenue in fiscal year 2008 or with the receipt of grant reimbursements and fund transfers in future years.

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Note 2. Cash and Investments

Cash

As of June 30, 2007, the carrying amount of the City's deposits was \$906,119 and the bank balance was \$1,422,144 (including an investment in an overnight repurchase agreement in the amount of \$1,002,757).

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits with financial institutions to be fully secured by collateral. The City's cash balances at financial institutions at June 30, 2007 are fully collateralized with securities held by the City's agent in the City's name.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Investments

As of June 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than 90 days</u>	<u>90 days to one year</u>	
Municipal Money Market Savings	\$ 105,012	\$ 105,012		N/A
U.S. Treasury Securities	249,144		249,144	N/A
Maryland Local Government Investment Pool	4,663,768	4,663,768		N/A
U.S. Treasury Money Market	1,507,896	1,507,896		N/A
	\$ 6,525,820	\$ 6,276,676	\$ 249,144	

Investment Risks and Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City investment policy specifies the following diversification by instrument:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Maryland Local Government Investment Pool	90%
Repurchase Agreements (Master Repurchase Agreement required)	70%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	70%
U.S. Government Agency and U.S. Government-sponsored instrumentalities	50%

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy indicates that the majority of the investments of the City will be on a short term basis (less than one year). However, a portion of the portfolio can contain

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. With the exception of the direct purchase of U.S. Treasury's, no more than 90% of the City's total investments may be placed at the Maryland Local Government Investment Pool and no more than 70% of the City's total investment may be placed at any one financial institution.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City's name. All of the City's investments are collateralized with securities held by the City's agent in the City's name.

The City's investment policy and state law requires collateralization of 102% of market value of investments. ARTICLE 95, Section 22 of the Annotated Code of Maryland authorizes the City to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Local Government Investment Pool. The City is in compliance with its investment policy and State law having all deposits and investments collateralized at 102% of market value with bonds or other obligations secured by the full faith and credit of the United States.

The City invests in the Maryland Local Government Investment Pool which is administered by the Mercantile-Safe Deposit and Trust Company. These approved investments are carried at cost, which approximates market and may be liquidated as needed. Due to the short-term nature of the Maryland Local Government Investment Pools' assets and liabilities, the carrying value as recorded in the statements of assets and liabilities approximates fair value. The Maryland Local Government Investment Pool is not registered with the Securities and Exchange Commission. The Board for the Maryland State Treasurer's Office oversees its operations.

Restricted investments are reported in the General, Water, Sewer, and Non-Major Proprietary Funds in the amount of \$3,352,057. These investments are restricted for the acquisition of assets and improvements under various financing arrangements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
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Additionally, a restricted investment of \$249,144 in the Enterprise Fund is a debt service reserve account established in the City's Water Fund as a condition of the loan agreement dated March 22, 2001 between the City and the Maryland Water Quality Financing Administration.

Note 3. Due from Other Governments

Amounts due from other governments primarily represent tax, grant and shared revenues due from the Federal, State and local governments

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements

Interfund receivables and payables and transfers as of June 30, 2007 are as follows:

Fund	Interfund Receivables	Interfund Payables
Current:		
General Fund	\$ 407,440	\$ -
Water Fund	-	250,832
Sewer Fund	449,980	125,416
MPA Fund	-	-
Non-Major Governmental Funds	-	335,951
Non-Major Proprietary Funds	-	-
Housing Assistance Fund	-	145,221
Total Interfund Receivable/Payable-Current	857,420	857,420
Non-Current:		
General Fund	188,661.00	-
Water Fund	119,233	-
Sewer Fund	355,954	-
MPA Fund	-	159,055
Non-Major Governmental Funds	-	200,458
Non-Major Proprietary Funds	-	304,335
Housing Assistance Fund	-	-
Total Interfund Receivable/Payable-Non-Current	\$ 663,848	\$ 663,848
Fund	Interfund Transfers-In	Interfund Transfers-Out
General Fund	\$ 1,857,667	\$ 302,931
Water Fund	-	472,835
Sewer Fund	-	862,848
MPA Fund	-	60,124
Non-Major Governmental Funds	395,971	208,780
Non-Major Proprietary Funds	-	390,305
Housing Assistance Fund	44,185	-
Total Interfund Transfer In/Out	\$ 2,297,823	\$ 2,297,823

CITY OF CUMBERLAND, MARYLAND
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All current interfund receivables are expected to be repaid within the next fiscal year. All non-current interfund receivables are expected to be repaid within a reasonable amount of time, but not necessarily within the next fiscal year.

The combination of the transfer-out's in the Water and Sewer Funds represents management's transfer of 80% of the combined "net income before capital contributions" of those two funds to the General Fund for use in the operation of the general government.

The transfer-out in the non-major proprietary fund represents management's transfer of prior years profits of the Property Rental Fund to the General Fund for use in the operation of the general government.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 5. Capital Assets

City of Cumberland capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 994,496	\$ 100	\$ (500)	\$ 994,096
Construction in progress	1,423,739	683,877	(401,362)	1,706,254
Total non-depreciable assets	<u>2,418,235</u>	<u>683,977</u>	<u>(401,862)</u>	<u>2,700,350</u>
Depreciable assets:				
Buildings and improvements	12,986,252	228,524	-	13,214,776
Machinery and equipment	5,835,007	616,253	(229,700)	6,221,560
Infrastructure	20,093,531	327,410	-	20,420,941
Total depreciable assets	<u>38,914,790</u>	<u>1,172,187</u>	<u>(229,700)</u>	<u>39,857,277</u>
Accumulated depreciation:				
Buildings and improvements	5,962,695	416,321	-	6,379,016
Machinery and equipment	4,160,686	555,429	(208,602)	4,507,513
Infrastructure	10,876,534	626,848	-	11,503,382
Total accumulated depreciation	<u>20,999,915</u>	<u>1,598,598</u>	<u>(208,602)</u>	<u>22,389,911</u>
Depreciable assets, net	<u>17,914,875</u>	<u>(426,411)</u>	<u>(21,098)</u>	<u>17,467,366</u>
Governmental activities capital assets, net	<u>\$ 20,333,110</u>	<u>\$ 257,566</u>	<u>\$ (422,960)</u>	<u>\$ 20,167,716</u>
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	2,528,376	4,084,980	(2,513,552)	4,099,804
Total non-depreciable assets	<u>3,342,955</u>	<u>4,084,980</u>	<u>(2,513,552)</u>	<u>4,914,383</u>
Depreciable assets:				
Buildings and improvements	80,925,861	2,622,688	-	83,548,549
Machinery and equipment	4,017,652	816,730	(196,288)	4,638,094
Total depreciable assets	<u>84,943,513</u>	<u>3,439,418</u>	<u>(196,288)</u>	<u>88,186,643</u>
Accumulated depreciation:				
Buildings and improvements	25,755,711	1,792,352	-	27,548,063
Machinery and equipment	2,663,224	334,740	(196,288)	2,801,676
Total accumulated depreciation	<u>28,418,935</u>	<u>2,127,092</u>	<u>(196,288)</u>	<u>30,349,739</u>
Depreciable assets, net	<u>56,524,578</u>	<u>1,312,326</u>	<u>-</u>	<u>57,836,904</u>
Business-type capital assets, net	<u>\$ 59,867,533</u>	<u>\$ 5,397,306</u>	<u>\$ (2,513,552)</u>	<u>\$ 62,751,287</u>

CITY OF CUMBERLAND, MARYLAND
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Depreciation expense is charged to functions as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 196,773	Water	\$ 1,001,969
Public Safety	473,563	Sewer	989,924
Public Works	722,581	Municipal Parking	89,289
Recreation	154,043	Property Rental	45,911
Urban Development & Housing	51,638		<u>\$ 2,127,093</u>
	<u>\$ 1,598,598</u>		

Note 6: Long term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 4,626,696	\$ 3,058,804	\$(1,693,518)	\$ 5,991,982	\$ 558,986
Notes and capital leases	1,002,193	1,286,051	(268,665)	2,019,579	328,674
Less: deferred amounts on refunds	-	-	-	-	-
Total bonds, notes and leases payable	5,628,889	4,344,855	(1,962,183)	8,011,561	887,660
Compensated absences	2,336,092	-	(302,003)	2,034,089	732,782
Governmental activities long-term Liabilities	\$ 7,964,981	\$ 4,344,855	\$(2,264,186)	\$ 10,045,650	\$ 1,620,442
<u>Business-type Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 25,881,353	\$ 8,041,250	\$(6,934,638)	\$ 26,987,965	\$ 2,171,469
Notes and capital leases payable	514,854	2,919,350	(123,980)	3,310,224	243,646
Less: deferred amounts on refunds	(187,308)	(53,344)	15,781	(224,871)	-
Total bonds and notes payable	26,208,899	10,907,256	(7,042,837)	30,073,318	2,415,115
Compensated absences	809,992	-	(111,719)	698,273	228,343
Business-type activities long-term liabilities	\$ 27,018,891	\$ 10,907,256	\$(7,154,556)	\$ 30,771,591	\$ 2,643,458

CITY OF CUMBERLAND, MARYLAND
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Long-Term debt payable at June 30, 2007 is comprised of the following General Obligation Bonds:

<i>\$755,795, 1991 Sewer Fund bonds due in annual installments of \$42,465 to \$60,557 through February, 2011; interest at 3.594%</i>	\$ 118,602
<i>\$376,255, 1991 Sewer Fund bonds due in annual installments of \$25,747 to \$27,458 through February, 2012; interest at 3.375%</i>	184,914
<i>\$400,000, 1999 Water Fund bond due in annual installments of \$20,173 through February, 2029; interest at 2.39%</i>	326,075
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	3,739,272
<i>\$2,231,000, 1999 Public Improvement bond due in semi-annual installments of \$108,592 through September, 2014; interest at 5.28%</i>	1,330,770
<i>\$6,000,000, 2001 Water Fund bond due in semi-annual installments of \$5,124 and \$99,934 through February, 2032; interest at 1.50%, \$1,200,000 to be forgiven March, 2011</i>	5,341,189
<i>\$1,400,000, 2002 Merchant's Alley Public Improvement Bonds due in annual installments of \$26,800 to \$136,877 through August, 2016; interest at 4.030%</i>	1,076,923
<i>\$586,200, 2004 Community Development Administration Infrastructure Financing bond due in annual installments of \$83,286 to \$85,059 through May, 2012; interest at 2.96%</i>	379,100
<i>\$220,007, 2005 Water Quality State Revolving Fund Loan due in annual installments of \$12,887 through February, 2024; interest at 0.4%</i>	207,975
<i>\$2,485,000, 2005 Drinking Water State Revolving Fund Loan due in annual installments of \$72,776 through February, 2034; interest at 0.4%, \$497,000 to be forgiven November, 2014.</i>	2,356,049
<i>\$480,000, 2005 Tax Incremental Financing bond due in semi-annual installments of \$16,400 to \$28,600 through May, 2020; interest at 5.0%</i>	416,000
<i>\$7,900,442, 2005 General Obligation bond due in semi-annual installments of \$7,837 to \$873,773 through May, 2021; interest at 3.97%</i>	6,784,078
<i>\$4,500,000, 2006 Public Improvement Bond due in semi-annual installments of \$145,000 to \$330,000 through September, 2026 at 4.36%</i>	4,500,000
<i>\$6,219,000, 2007 Public Improvement Bond due in semi-annual installments of \$416,000 to \$687,000 through April, 2012 at 3.63%</i>	<u>6,219,000</u>
	<u>\$ 32,979,947</u>

CITY OF CUMBERLAND, MARYLAND
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JUNE 30, 2007

Notes and capital leases payable

<i>\$195,300 (Face amount and cost of asset), copier equipment capital lease due in monthly installments of \$3,255 through April 2011; interest at 0%</i>	148,322
<i>\$323,222 (Face amount and cost of asset), Silverado and Backhoe lease due in annual installments of \$69,087 through July 2009; interest at 3.44%</i>	193,777
<i>\$651,501 (Face amount and cost of asset), 2005 equipment lease due in quarterly installments of \$35,414 through July 2010; interest at 3.59%</i>	432,708
<i>\$323,969 (Face amount and cost of asset), VAC and Dump Trucks lease due in quarterly installments of \$17,768 through December 2010; interest at 3.98%</i>	231,122
<i>\$130,194 (Face amount and cost of asset), trucks and SUV lease due in quarterly installments of \$7,194 through February 2011; interest at 4.30%</i>	99,145
<i>\$99,820 (Face amount and cost of asset), IBM lease due in monthly installments of \$2,733 through December 2008; interest at 0%</i>	40,058
<i>\$456,000 (Face amount and cost of asset), 2007 Equipment lease due in quarterly installments of \$25,244 through January 2012; interest at 3.96%</i>	435,270
<i>\$3,749,401 (Face amount and cost of asset/expense), 2007 lease due in semi-annual installments of \$170,856 through May 2022; interest at 4.097%</i>	<u>3,749,401</u>
	<u><u>\$ 5,329,803</u></u>

Refunding of bonds

On April 24, 2007, the City issued \$6,219,000 in general obligation bonds with an interest rate of 3.63% to currently refund \$6,168,752 of outstanding 1997 and 1998 general obligation bonds with interest rates of 5.41% to 5.79%. The City reduced its aggregate debt service payments by \$204,103 over the next six years, and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$200,248.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Debt Maturity

Debt service requirements at June 30, 2007 were as follows:

Governmental Funds						
Year	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$558,986	\$249,787	\$328,674	\$83,338	\$887,660	\$333,125
2009	612,672	228,311	327,334	59,142	940,006	287,453
2010	632,100	202,314	330,696	48,535	962,796	250,849
2011	653,723	175,510	178,079	38,482	831,802	213,992
2012	674,428	147,791	104,292	33,486	778,720	181,277
2013-2017	1,572,229	446,104	337,464	123,847	1,909,693	569,951
2018-2022	673,165	206,533	413,040	47,984	1,086,205	254,517
2023-2027	614,679	69,418	-	-	614,679	69,418
2028-2032	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-
	<u>\$5,991,982</u>	<u>\$1,725,768</u>	<u>\$2,019,579</u>	<u>\$434,814</u>	<u>\$8,011,561</u>	<u>\$2,160,582</u>

Proprietary Funds						
Year	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$2,171,469	\$737,432	\$243,646	\$170,879	\$2,415,115	\$908,311
2009	2,395,510	672,046	292,835	121,691	2,688,345	793,737
2010	2,467,992	590,332	303,393	109,826	2,771,385	700,158
2011	3,743,643	505,704	249,211	97,654	3,992,854	603,358
2012	2,582,626	418,197	190,938	88,728	2,773,564	506,925
2013-2017	5,258,299	1,350,411	912,402	334,845	6,170,701	1,685,256
2018-2022	4,634,628	740,978	1,117,799	129,734	5,752,427	870,712
2023-2027	2,043,772	263,683	-	-	2,043,772	263,683
2028-2032	1,545,342	68,828	-	-	1,545,342	68,828
2033-2037	144,684	869	-	-	144,684	869
	<u>\$26,987,965</u>	<u>\$5,348,480</u>	<u>\$3,310,224</u>	<u>\$1,053,357</u>	<u>\$30,298,189</u>	<u>\$6,401,837</u>

Note 7. Deferred Revenue

The governmental fund balance sheet reports \$1,000,444 and \$526,972 of deferred revenues in the General and Non Major Governmental Funds, respectively. Included in those deferred revenues are \$165,436 and \$162,660 revenues deferred solely because they are not yet considered available as defined by GASB 33 and as discussed in Note 1(E). The remainder of the deferred revenue represents deferred property tax revenues in the amount of \$835,008 and \$39,136 and deferred rehabilitation loans in the amount of \$325,176.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 8. Conduit Debt

To provide for construction of a facility for the Young Men's Christian Association (YMCA), the City has authority to issue Special Facility Revenue Bonds. The bonds are special limited obligations of the City, payable solely from the income of the YMCA. The bonds do not constitute a debt or pledge of the faith and credit of the City, and, accordingly, have not been reported in the accompanying financial statements. The Special Facility Revenue Bonds were issued in the amount of \$4.5 million. The balance on these bonds at June 30, 2007, is \$1.55 million.

Note 9. Compensated Absences

Statement 16 of the Governmental Accounting Standards Board (GASB) - Accounting for Compensated Absences requires employers to accrue a liability for certain future vacation, sick, and other leave benefits provided the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest.
- c. Payment of the compensation is probable and not contingent on a specific event outside the control of the City or the employee.
- d. The amount can be reasonably estimated.

City employees earn vacation time depending upon their length of service to the City and are eligible to use this vacation time in the year subsequent to the year it is earned.

City employees earn fifteen sick leave days per year with no maximum accumulation ceiling. It is the policy of the City to pay from 86 to 130 days of sick leave days accumulated upon retirement of an employee.

Because the City allows accumulation of sick leave and vacation benefits, estimates have been made and an accrued liability in the amount of \$2,034,089 has been recorded for the governmental funds in the government-wide financial statements. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$698,273 have been recorded in both the fund financial statements and the government-wide financial statements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 10. Classification of Net Assets – Government-wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested In Capital Assets Net Of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The City's policy is generally to use restricted net assets first, as appropriate opportunities arise.

Unrestricted Net Assets – this category represents the net assets of the City, which are not restricted for any project or other purpose.

Note 11. Fund Balance Reserves and Designation – Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are reestablished by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2007, reservations of fund balance are described below:

The "Reserved for restrictions" classification in the fund equity section of the governmental fund balance sheet reflects assets that have been legally restricted for specified purposes and are not available for other uses.

The "Reserved for long term assets" classification in the fund equity section of the governmental fund balance sheet is comprised of the following as it represents assets that are not "available spendable resources":

CITY OF CUMBERLAND, MARYLAND
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	General Fund	Housing Assistance Fund	Non-major Funds
Housing loans receivable	\$ -	\$ -	\$ 374,054
Loans receivable, net of deferred portion	-	-	93,534
Notes receivable	-	-	8,734
Total	\$ -	\$ -	\$ 476,322

Designations of equity, if any, are used to show the amounts within unreserved equity, which are intended to be used for specific purposes, but are not legally restricted.

Note 12. Property Taxes

Taxes are levied July 1 of each year. State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semi-annual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2007 at a rate of \$0.9479 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$657 million.

The City levied taxes at a rate of \$2.568 per \$100 of assessed valuation on personal property which is assessed at depreciated value.

Special Taxing District

The City is permitted by City Charter Amendment Resolution number 81 dated March 10, 1981 to levy taxes on certain real property located within the two zones of the special taxing district to provide funds for the payment of the costs of operation of a pedestrian mall within the central business district including debt service payments on the portion of general obligation bonds payable used to finance the construction of the mall.

The two zones within the special taxing districts are identified as the Primary and Secondary zones.

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2007 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$21.3 million.

CITY OF CUMBERLAND, MARYLAND
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Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2007 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$22.3 million.

Tax Incremental Financing District

The City is permitted by Resolution dated September 21, 2004 to levy taxes on certain real property located within a special taxing district known as the "Shades Lane Development District" to provide funds for the payment of debt service on special obligation bonds issued to finance capital improvements within the district. The tax rate for the property within this district was \$3.914 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$1,091,715.

Note 13. Pending Claims and Litigation

On or about October 9, 2007, legal proceedings were instituted against the City by ten (10) city firefighters alleging that the City violated provisions of the Fair Labor Standards Act (FLSA) relative to the payment of overtime hours paid. The plaintiffs have requested to have the case certified as a class action. Legal counsel for the firefighters did not state a specific amount with respect to the monetary damages sought. Opposing counsel also did not explicitly define what violations of FLSA guidelines had been occurring, if any. Accordingly, the City has been unable to ascertain the extent of the claim, if any.

There are several other pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2007.

Note 14. Contingent Liabilities

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant and Section Eight housing programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended June 30, 2007 have not yet been concluded. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF CUMBERLAND, MARYLAND
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Note 15. Construction Commitments

The City has active construction projects as of June 30, 2007. The projects include widening and construction of existing streets, and the construction of additional wastewater treatment facilities. At year-end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Change Orders</u>	<u>Remaining Commitment</u>	<u>Fund</u>
Evitts Creek Combined Sewer Overflow (Engineering)	\$ 376,967	\$ 298,841	\$ 349,775	Sewer
Evitts Creek Combined Sewer Overflow (Construction, Phase 1 – Pump Station)	2,294,050	-	2,294,050	Sewer
North End Pump Station	251,826	-	14,080	Water
Center City Parking Garage	1,276,937	55,270	818,032	MPA
Rolling Mill Access Phase 2&3	1,950,388	-	1,950,388	General/Water/ CDBG/ARC
ENR (Engineering Contract) WWTP	2,018,074	-	1,943,408	Sewer
Total	<u>\$ 8,168,242</u>	<u>\$ 354,111</u>	<u>\$ 7,369,733</u>	

Note 16. Other Commitments

The State of Maryland had previously filed suit against the City of Cumberland and neighboring jurisdictions which use the Cumberland Wastewater Treatment Plant seeking a court-enforceable timetable for correcting the City's Combined Sewer Overflow problem. On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment. The Consent Decree and Judgment requires the City to correct the Combined Sewer Overflow problems in phases over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been now accepted by MDE and the City was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A

CITY OF CUMBERLAND, MARYLAND
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(Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility). To date Phase 1A is complete and part of Phase 1B was completed in FY '07. The LTCP includes an estimate of future project costs. The estimated cost is \$47,600,000, and the work is required to be completed by 2026. The work is expected to be funded through EPA Grants, MDE Grants, and MDE SRF Loans. Phase 1 work has been delayed because of delays associated with funding of the rewatering of the C&O Canal. In FY'07, it was decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which is expected to start in FY'08. The City has committed to provide Enhanced Nutrient Removal (ENR) at the City's Wastewater Treatment Plant. Engineering was started in FY'07 and will continue through FY'08. The estimated cost of this major project is \$36,000,000. 73% of the project cost will be funded through State of Maryland's ENR Program; the local share of 27% will be funded through State Revolving Loan Funds (SRF).

Note 17. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City retains no risks for claims up to the maximum amount of the policy except for deductible amounts. With the exception of one claim in the amount of \$220,000 incurred in fiscal year 2004, the City did not have losses in excess of its insurance coverage for the current and three prior fiscal years.

Worker's Compensation

The City's insurance carrier provides, for a premium, a high-deductible worker's compensation insurance policy to the City under a Prefunded Deductible Program. The City's per claim deductible is \$350,000 with a deductible aggregate of \$1,700,000. As of June 30, 2007, the unspent, prefunded amount paid to the third party administrator has been included in the financial statements as a prepaid expense.

Third party administrators estimated the claims liability reported in the various funds at June 30, 2007. It is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balance of claims payable relating to the funds for fiscal year 2007 are as follows:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Balance at July 1, 2006	\$	-
Claims and changes in estimates		878,022
Claims payments		(144,888)
Balance at June 30, 2007	\$	<u>733,134</u>

Note 18. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

The employees of the City are provided retirement benefits through the Maryland State Retirement Systems which administer the Employees' Retirement System (established October 1, 1941 and closed for new entrants on December 31, 1979) and the Pension System for Employees (established January 1, 1980), under the provisions of Article 73B of the Annotated Code of Maryland. Both of these plans are cost-sharing multiple-employer defined benefit plans, providing retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the Systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The Systems, which issues its own financial report, is a component unit of the State of Maryland's financial reporting entity. Detailed information of the plan and copies of its financial report may be obtained from:

Maryland State Retirement Agency
120 E. Baltimore Street
Baltimore, Maryland 21202

Funding Policy

Employees covered under the retirement system are required to contribute five percent of their base salary and the City is required to contribute at an actuarially determined rate. The current rate is 10.68% of covered payroll. The employees belonging to the pension system must contribute five percent of their base salary that exceeds the social security wage base. The City is required to contribute at an actuarially determined rate also. The contribution rate for the City is currently 5.68% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the plan's board of trustees. The City of Cumberland's contributions for the years ended June 30, 2007, 2006, and 2005 were \$587,557, \$520,100, and \$514,245 respectively, equal to the required employer contributions for each year.

Beginning in fiscal year 2002, uniformed police officers are covered under the local fire and police pension system. The current contribution rate for the City is

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

19.40% of covered payroll for the pension system and 2.95% of covered payroll for a social security benefit surcharge. The City of Cumberland's contribution for the years ended June 30, 2007, 2006 and 2005 were respectively \$473,393, \$500,875, and \$446,360 equal to the required employer contributions for each year.

The Maryland State Retirement and Pension Systems' actuaries changed their method of allocation between participating local governments in 1997. This change in method resulted in the City being assigned a funding deficit even though the City has always paid the required contribution billed by the State. The City has chosen to make payment in 40 annual installments through December 2035. The deficit payments for 2007, 2006 and 2005 were \$141,418, \$134,684, and \$128,270 respectively, equal to the required employer contributions for each year. The deficit balance as of July 1, 2006 is \$2,880,255.

Deferred Compensation Plan/Defined Contribution Plan

The City allows employees to defer portions of their compensation into a trust which is a separate entity self trusted by the City under Internal Revenue Code Section 457(b) Deferred Compensation Plan. The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. Employees deferred \$354,223 into the deferred compensation plan during the current year.

The City has also established a defined contribution plan under Internal Revenue Code Section 401(a) entitled "City of Cumberland 401(a) Match Plan" whereby the City is required to match the first \$300 the City management employees defer into the deferred compensation plan described in the preceding paragraph. The City contributed \$41,700 to the deferred contribution during the current year. The City also contributed \$85,510 to this defined contribution plan for employees who elected to opt out of the City's health insurance plan.

The City Administrator, City Solicitor and City Comptroller are trustees of both plans and administer both plans. Plan provisions and contribution requirements are established by and may be amended by the City.

Note 19. Post-Employment Health Care Benefits

In addition to providing pension benefits described in Note 18, the City provides for post employment health care benefits, in accordance with City statutes, to all employees who retire from the City with at least 5 years of service. Approximately 100 retirees meet those eligibility requirements. For retirees meeting the criteria prior to October 1, 2003, the City pays 100% of the individual health insurance premiums for these pre-Medicare retirees. If these employees choose to participate in a higher cost plan (for example, a family plan), they pay the cost differential. As of October 1, 2003, any new retirees under the age of 65 receive \$225 per month (adjusted for inflation) contributed towards either their individual plan

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

continued with the City or with a plan of their choice. Once the retiree becomes eligible for Medicare, the City pays for a basic supplement to Medicare coverage with the employee paying for any additional cost for a higher option they might select. The cost of retiree health care premiums is recognized as an expenditure as the premiums are paid. For the fiscal year ended June 30, 2007, such premiums amounted to \$338,052.

Required Supplementary Information

**CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
PENSION CONTRIBUTIONS**

The City of Cumberland has established a defined contribution retirement plan entitled City of Cumberland 401(a) Match Plan. The City Administrator, City Solicitor, and City Comptroller are trustees of the plan and administer the plan. Contributions to the plan are made entirely by the City of Cumberland.

City of Cumberland 401(a) Match Plan

Contribution For Fiscal Year	Number of Members	Covered Payroll	Contribution Percentage	Required Contributions	Contribution Made	Unfunded Liability
2007	97	\$ 4,276,820	2.97%	\$ 127,210	\$ 127,210	\$ -
2006	99	4,045,517	2.47%	99,910	99,910	-
2005	95	3,837,256	2.16%	82,790	82,790	-
2004	95	3,810,474	1.39%	52,985	52,985	-
2003	83	3,283,341	0.76%	24,878	24,878	-
2002	86	3,317,934	0.77%	25,540	25,965	-
2001	84	3,161,269	2.66%	83,971	83,971	-
2000	107	4,023,616	2.06%	82,703	82,703	-
1999	50	1,956,243	2.16%	42,269	42,269	-
1998	49	1,215,652	2.30%	27,960	27,960	-

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,606,823	\$ 8,606,823	\$ 8,478,406	\$ (128,417)
Licenses and permits	142,176	665,178	1,129,714	464,536
Intergovernmental	3,856,519	3,856,519	3,743,521	(112,998)
Charges for services	1,120,541	1,120,541	1,210,380	89,839
Fines and forfeitures	2,500	2,500	25	(2,475)
Interest	75,000	75,000	53,413	(21,587)
Miscellaneous	443,439	443,439	603,190	159,751
Total Revenues	14,246,998	14,770,000	15,218,649	448,649
Expenditures:				
Current:				
General government	1,432,593	1,610,000	1,606,847	3,153
Public safety	9,024,491	9,650,000	9,642,499	7,501
Public works	2,371,866	2,610,000	2,608,485	1,515
Recreation	827,457	920,000	917,088	2,912
Community development and housing	446,136	465,000	460,981	4,019
Debt Service:				
Principal	624,116	720,000	715,842	4,158
Interest	211,770	275,000	271,527	3,473
Bond issue costs		10,000	8,001	1,999
Total Expenditures	14,938,429	16,260,000	16,231,270	28,730
Revenues in Excess of (Less Than) Expenditures	(691,431)	(1,490,000)	(1,012,621)	477,379
Other Financing Sources (Uses):				
Transfers-in	756,364	1,800,000	1,857,667	57,667
Transfers-out	(64,933)	(310,000)	(302,931)	7,069
Financing proceeds	-	-	274,000	274,000
Refunding bond proceeds	-	-	1,226,597	1,226,597
Payment to refund bonds	-	-	(1,198,352)	(1,198,352)
Total Other Financing Sources	691,431	1,490,000	1,856,981	366,981
Net Change in Fund Balances	\$ -	\$ -	844,360	\$ 844,360
Fund balance, beginning			219,434	
Fund (deficit), ending			<u>\$ 1,063,794</u>	

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2007

- (1) An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred.
- (2) Annual budgets are not adopted for any other governmental fund as the City is not legally required to adopt such budgets.

City of Cumberland, Maryland

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS

Non-major Governmental Funds

Tax Increment Financing District

This fund represents Special Obligation Bond funds that were used to develop Shades Lane. Tax increment revenues used to pay bonds.

CDBG Fund

Federal Community Development Betterment Grant funds are funneled through the City to various projects, including but not limited to property and home improvements, blight reduction, and infrastructure improvements within the City of Cumberland.

Rehabilitation Loan Fund

Loan program provided to property owners to make improvements to their residents.

Special Taxing District

Accounts for the special tax on property owners in the downtown area to pay for the development of the Downtown Mall.

Community Legacy

Community Legacy is a state grant that provides funds to aid local governments and non profits in meeting a variety of community development needs.

Police Grants

The City receives federal and state grants to be used by the Police Department which are accounted for in this fund.

Lender's Loan

Fund tracks the City's portion of a small business loan program that provides funds through the state, City, and local banks.

Program Open Space

Program Open Space funds are provided by the state for outdoor park projects and tracked through this fund.

Community Parks

Grant funds provided through the Maryland Community Parks and Playgrounds Program.

PIB06

Public Improvement Bond used to fund security upgrades throughout City buildings, infrastructure and building capital improvement projects, and a new fire engine.

Johnson Controls

This fund was established for a lease agreement with M&T Bank for the payment of Johnson Controls Energy Performance Contract. The funds were held in escrow until payment of completed work which was invoiced by Johnson Controls.

Misc Special Revenue Funds

Includes revenues collected for specific purposes, for example fireworks donations and Let's Beautify Cumberland, where the City desires to track revenue and expenses separately.

Misc Capital Projects Funds

Includes various capital improvement projects for which the City is fully or partially reimbursed and expenses are tracked separately.

Non-major Proprietary Funds

Trash

Revenues and expenses for the City's trash collection.

Property Rental

Rental revenues and expenses related to rental of City owned properties – Naval Reservoir and HRDC building.

CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Tax Incremental Financing District	CDBG Fund	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	PIB 2006	Johnson Controls	Misc Special Revenue Funds	Misc Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS														
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 15,380	\$ -	\$ -	\$ 99,730	\$ -	\$ 8,883	\$ 6,140	\$ -	\$ 162,601	\$ -	\$ 292,744
Investments				145,950						1,694,095	269,907	-	-	2,109,952
Accounts receivable				65							1,544	1,006	-	2,615
Prepaid Expenses		197		23,043		1,461						5,000		29,701
Housing loans receivable			374,054											374,054
Taxes receivable	40,756		8,734	4,568										45,324
Notes receivable					400,604		18,105							8,734
Loans receivable		191,286		6,221	50,142	134,281		4,118	14,718			11,668	40,971	418,709
Due from other governments														453,405
Total Assets	\$ 40,756	\$ 191,483	\$ 382,788	\$ 195,237	\$ 450,746	\$ 135,742	\$ 117,835	\$ 4,118	\$ 23,601	\$ 1,700,235	\$ 271,451	\$ 180,275	\$ 40,971	\$ 3,735,238
LIABILITIES AND FUND EQUITY														
LIABILITIES:														
Accounts payable	\$ -	\$ 37,839	\$ -	\$ 6,060	\$ 4,000	\$ 6,334	\$ -	\$ -	\$ -	\$ 18,377	\$ 25,050	\$ 5,709	\$ -	\$ 103,369
Accrued wages		9,967		2,729		1,186				130		4,803		18,785
Interfund payables	84,315	136,974		-	31,588	136,197		43,824	-			44,587	58,924	536,409
Deferred revenues	34,569	40,472		4,789	332,352	103,122						11,668		526,972
Loans payable							12,007							12,007
Workers' comp claims payable		165		199										364
Total Liabilities	118,884	225,417	-	13,777	367,940	246,819	12,007	43,824	-	18,507	25,050	66,767	58,924	1,197,916
FUND BALANCES:														
Fund balances:														
Reserved for fund purposes		197		23,043		1,461						5,000		29,701
Reserved for prepaids												5,631		5,631
Reserved for encumbrances			382,788		75,429		18,105							476,322
Reserved for non-current assets													(17,953)	1,910,177
Unreserved - Capital Projects	(78,128)	(34,131)		158,417	7,377	(112,538)	87,723	(39,706)	23,601	1,681,729	246,401	102,877		115,492
Unreserved - Special Revenue Funds	(78,128)	(33,934)	382,788	181,460	82,806	(111,077)	105,828	(39,706)	23,601	1,681,729	246,401	113,508	(17,953)	2,537,323
Total Fund Balances	\$ 40,756	\$ 191,483	\$ 382,788	\$ 195,237	\$ 450,746	\$ 135,742	\$ 117,835	\$ 4,118	\$ 23,601	\$ 1,700,235	\$ 271,451	\$ 180,275	\$ 40,971	\$ 3,735,238

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Tax Incremental Financing District	CDBG Fund	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	PIB 2006	Johnson Controls	Misc Special Revenue Funds	Misc Capital Projects Funds	Total Non-Major Governmental Funds
Revenues:														
Taxes	\$ 14,757	\$ -	\$ -	\$ 158,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,706
Intergovernmental revenues	-	1,304,350	-	14,000	123,739	261,830	-	80,428	70,985	63,165	7,431	122,219	55,131	2,032,682
Interest	-	-	340	12,000	1,446	1,112	605	-	-	-	-	664	296	87,059
Miscellaneous	-	519	-	45,173	-	-	-	-	-	-	-	26,779	-	72,471
Total Revenues	14,757	1,304,869	340	230,122	125,185	262,942	605	80,428	70,985	63,165	7,431	149,662	55,427	2,365,918
Expenditures:														
Current:														
General government	-	-	-	209,920	-	365,802	-	-	-	-	-	191,377	40,972	442,289
Public safety	-	-	-	-	-	-	-	41,261	38,991	-	-	11,000	-	365,802
Recreation	-	-	-	-	137,991	-	-	-	-	150,478	765,651	8,165	-	91,252
Community development and housing	-	1,076,930	-	-	-	-	-	-	-	-	-	-	-	1,223,086
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	916,129
Debt Service:														
Principal	32,000	-	-	15,989	-	-	-	-	-	-	-	-	-	47,989
Interest	22,000	-	-	6,465	-	-	-	-	-	-	-	-	-	28,465
Bond Issue Costs	-	-	-	6	-	-	-	-	-	-	-	-	-	6
Total Expenditures	54,000	1,076,930	-	232,380	137,991	365,802	-	41,261	38,991	150,478	765,651	210,542	40,972	3,114,998
Total Revenues in Excess of (Less Than) Expenditures	(39,243)	227,939	340	(2,258)	(12,806)	(102,860)	605	39,167	31,994	(87,313)	(758,220)	(60,880)	14,455	(745,080)
Other Financing Sources (Uses):														
Operating transfers-in	6,880	75,906	-	13,300	-	-	-	-	-	(63,165)	(7,430)	299,885	-	395,971
Operating transfers-out	-	(51,319)	(75,906)	-	-	-	-	-	-	1,832,207	1,012,051	(10,664)	(296)	(208,780)
Financing Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	2,844,258
Total Other Financing Sources (Uses)	6,880	24,587	(75,906)	13,300	-	-	-	-	-	1,769,042	1,004,621	289,221	(296)	3,031,449
Net Change in Fund Balance	(32,363)	252,526	(75,566)	11,042	(12,806)	(102,860)	605	39,167	31,994	1,681,729	246,401	228,341	14,159	2,282,369
Fund balance (deficit), beginning	(45,765)	(288,460)	458,354	170,418	95,612	(8,217)	105,223	(78,873)	(8,383)	-	-	(114,833)	(32,112)	264,954
Fund balance (deficit), ending	(78,128)	(33,934)	\$ 382,788	\$ 181,460	\$ 82,806	\$ (111,077)	\$ 105,828	\$ (39,706)	\$ 23,601	\$ 1,681,729	\$ 246,401	\$ 113,508	\$ (17,953)	\$ 2,537,323

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2007

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
ASSETS			
<u>Current Assets:</u>			
Cash	\$ -	\$ 82,865	\$ 82,865
Accounts receivable	114,033	12,288	126,321
Total Current Assets	114,033	95,153	209,186
<u>Noncurrent Assets:</u>			
Buildings and improvements	-	1,283,793	1,283,793
Accumulated depreciation	-	(384,953)	(384,953)
Deferred charge	-	314	314
Total Non-Current Assets	-	899,154	899,154
Total Assets	<u>\$ 114,033</u>	<u>\$ 994,307</u>	<u>\$ 1,108,340</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	44,687	-	44,687
Accrued interest	-	1,073	1,073
Current portion of bonds and notes payable	-	7,049	7,049
Total Current Liabilities	44,687	8,122	52,809
<u>Noncurrent Liabilities:</u>			
Interfund payables, non-current	304,335	-	304,335
Bonds and notes payable (net of current portion)	-	55,963	55,963
Total Non-Current Liabilities	304,335	55,963	360,298
Total Liabilities	349,022	64,085	413,107
NET ASSETS			
Invested in capital assets, net of related debt	-	835,828	835,828
Unrestricted	(234,989)	94,394	(140,595)
Total Net Assets	(234,989)	930,222	695,233
Total Liabilities and Net Assets	<u>\$ 114,033</u>	<u>\$ 994,307</u>	<u>\$ 1,108,340</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
Operating Revenues:			
Charges for Services:			
Domestic	\$ 960,029	\$ -	\$ 960,029
Industrial	2,342	-	2,342
Rents/Concessions	-	146,755	146,755
Other	14,416	-	14,416
Total Operating Revenues	<u>976,787</u>	<u>146,755</u>	<u>1,123,542</u>
Operating Expenses:			
Supplies	12,088	-	12,088
Repairs and maintenance	-	2,942	2,942
Landfill fees	456,329	-	456,329
Depreciation	-	45,911	45,911
Contractual Service	522,767	-	522,767
Other operating expenses	94,193	21,547	115,740
Total Operating Expenses	<u>1,085,377</u>	<u>70,400</u>	<u>1,155,777</u>
Operating Income (loss)	<u>(108,590)</u>	<u>76,355</u>	<u>(32,235)</u>
Non-Operating (Expenses):			
Interest expense	-	(3,445)	(3,445)
Amortization expense	-	(45)	(45)
Total Non-Operating (loss)	<u>-</u>	<u>(3,490)</u>	<u>(3,490)</u>
Net Income (loss) Before Contributions and Transfers	(108,590)	72,865	(35,725)
Operating transfers-in (out)	<u>-</u>	<u>(390,305)</u>	<u>(390,305)</u>
Net Income (loss)	(108,590)	(317,440)	(426,030)
Net assets-beginning of year	<u>(126,399)</u>	<u>1,247,662</u>	<u>1,121,263</u>
Net assets-end of year	<u>\$ (234,989)</u>	<u>\$ 930,222</u>	<u>\$ 695,233</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 959,314	\$ 137,249	\$ 1,096,563
Cash payments to suppliers	(1,086,700)	(25,301)	(1,112,001)
Cash payments for personal services	-	-	-
Other operating receipts	14,416	-	14,416
Net Cash Provided (Used) by Operating Activities	<u>(112,970)</u>	<u>111,948</u>	<u>(1,022)</u>
Cash Flows from Noncapital Financing Activities:			
Operating transfers from (to) other funds	-	(390,305)	(390,305)
Loans from other funds	112,970	-	112,970
Net Cash Provided (Used) By Noncapital Financing Activities	<u>112,970</u>	<u>(390,305)</u>	<u>(277,335)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital debt	-	(6,691)	(6,691)
Interest paid on capital debt	-	(3,590)	(3,590)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(10,281)</u>	<u>(10,281)</u>
Net Increase in Cash and Cash Equivalents	-	(288,638)	(288,638)
Cash and Cash Equivalents at Beginning of Year	-	371,503	371,503
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 82,865</u>	<u>\$ 82,865</u>
Reconciliation of Cash to Statement of Net Assets			
Cash balance-Statement of Net Assets	\$ -	\$ 82,865	\$ 82,865
Investment balance-Statement of Net Assets	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ -</u>	<u>\$ 82,865</u>	<u>\$ 82,865</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (108,590)	\$ 76,355	\$ (32,235)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	45,911	45,911
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(3,057)	(9,506)	(12,563)
Increase (decrease) in accounts payable	(1,323)	(812)	(2,135)
Net cash provided (used) by operating activities	<u>\$ (112,970)</u>	<u>\$ 111,948</u>	<u>\$ (1,022)</u>

Statistical Section

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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Financial Trends

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

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These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the near future.

Economic and Demographic Information

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These schedules offer economic and demographic data to help the reader understand the Environment within which the City's financial activities take place.

Operating Information

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources:

Financial Trend, Revenue Capacity and Debt Capacity data was compiled from various sources of information maintained by the City Finance Office.

Economic and Demographic Information, and Operating Information were compiled from data maintained by the various departments within the City.

City of Cumberland, Maryland

Net Assets by Category Government Wide, Last Five Years

	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	14,626,885	15,184,517	15,267,735	14,711,560	14,091,543
Restricted	1,114,859	641,121	505,291	734,463	749,796
Unrestricted	<u>1,860,966</u>	<u>785,475</u>	<u>(534,608)</u>	<u>(588,266)</u>	<u>710,280</u>
Total Governmental Activities Net Assets	<u>17,602,710</u>	<u>16,611,113</u>	<u>15,238,418</u>	<u>14,857,757</u>	<u>15,551,619</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	28,936,326	32,351,648	33,492,177	33,748,518	35,809,340
Restricted	227,092	227,092	232,096	634,853	249,144
Unrestricted	<u>2,644,273</u>	<u>2,840,683</u>	<u>2,172,581</u>	<u>2,336,796</u>	<u>1,074,763</u>
Total Business-Type Activities Net Assets	<u>31,807,691</u>	<u>35,419,423</u>	<u>35,896,854</u>	<u>36,720,167</u>	<u>37,133,247</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	43,563,211	47,536,165	48,759,912	48,460,078	49,900,883
Restricted	1,341,951	868,213	737,387	1,369,316	998,140
Unrestricted	<u>4,505,239</u>	<u>3,626,158</u>	<u>1,637,973</u>	<u>1,748,530</u>	<u>1,785,043</u>
Total Primary Government Net Assets	<u>49,410,401</u>	<u>52,030,536</u>	<u>51,135,272</u>	<u>51,577,924</u>	<u>52,684,866</u>

Source: Annual Financial Statements

City of Cumberland, Maryland

Changes in Net Assets by Category Government Wide, Last Five Years

	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
General Government	1,507,459	2,101,017	2,229,057	1,924,694	2,529,184
Public Safety	9,244,760	8,609,865	8,889,680	9,729,813	10,001,075
Public Works	4,011,070	3,203,225	3,123,299	2,984,833	3,043,152
Recreation	957,612	975,202	1,025,874	1,051,627	984,452
Community Development and Housing	3,780,353	4,499,317	3,992,664	3,207,042	3,238,798
Interest on long-term debt	<u>286,264</u>	<u>272,162</u>	<u>252,283</u>	<u>262,084</u>	<u>329,613</u>
Total governmental activities expenses	19,787,518	19,660,788	19,512,857	19,160,093	20,126,274
Business-type activities:					
Water	5,352,997	5,302,049	5,663,826	5,833,754	5,690,721
Sewer	3,868,362	4,263,477	4,069,506	4,576,650	4,750,614
Municipal Parking Authority	412,183	394,348	393,676	427,664	387,032
Trash	542,392	729,114	775,255	1,060,739	1,085,377
Property Rental	<u>70,616</u>	<u>69,381</u>	<u>67,670</u>	<u>130,848</u>	<u>73,890</u>
Total business-type activities expenses	<u>10,246,550</u>	<u>10,758,369</u>	<u>10,969,933</u>	<u>12,029,655</u>	<u>11,987,634</u>
Total primary government expenses	<u>30,034,068</u>	<u>30,419,157</u>	<u>30,482,790</u>	<u>31,189,748</u>	<u>32,113,908</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	440,646	578,373	578,659	588,073	632,090
Public Safety	635,716	731,682	661,666	850,504	1,825,283
Public Works				14,986	4,106
Recreation	96,618	122,907	130,142	134,664	146,491
Community Development and Housing	75,742	71,437	78,652	86,723	111,423
Interest on long-term debt					
Operating grants and contributions	5,914,518	6,297,814	5,947,695	5,635,159	5,794,322
Capital grants and contributions	<u>653,444</u>	<u>1,008,619</u>	<u>296,235</u>	<u>284,407</u>	<u>154,534</u>
Total governmental activities program revenues	7,816,684	8,810,832	7,693,049	7,594,516	8,668,249
Business-type activities:					
Water	6,373,990	6,686,957	6,582,264	7,056,703	7,270,405
Sewer	4,088,688	4,213,406	4,339,904	4,732,152	4,674,930
Municipal Parking Authority	444,707	498,329	445,424	461,314	440,612
Trash	524,359	746,155	745,363	942,212	976,787
Property Rental	109,750	137,091	152,987	141,887	146,755
Operating grants and contributions					
Capital grants and contributions	<u>2,408,026</u>	<u>2,824,151</u>	<u>370,258</u>	<u>612,707</u>	<u>451,607</u>
Total business-type activities program revenues	<u>13,949,520</u>	<u>15,106,089</u>	<u>12,636,200</u>	<u>13,946,975</u>	<u>13,961,096</u>
Total primary government revenues	<u>21,766,204</u>	<u>23,916,921</u>	<u>20,329,249</u>	<u>21,541,491</u>	<u>22,629,345</u>
Net (Expense)/Revenue					
Governmental activities	(11,970,834)	(10,849,956)	(11,819,808)	(11,565,577)	(11,458,025)
Business-type activities	<u>3,702,970</u>	<u>4,347,720</u>	<u>1,666,267</u>	<u>1,917,320</u>	<u>1,973,462</u>
Total primary government net expense	(8,267,864)	(6,502,236)	(10,153,541)	(9,648,257)	(9,484,563)

City of Cumberland, Maryland

Changes in Net Assets by Category Government Wide, Last Five Years (continued)

General Revenues and Other Changes in Net Assets

Governmental activities:

Property taxes	7,554,128	7,360,358	7,593,762	8,150,523	8,350,221
Franchise Fees ¹					246,754
Other taxes	143,552	133,645	141,977	139,034	153,686
Shared revenues	1,257,087	1,139,105	1,079,029	1,279,788	1,288,824
Unrestricted investment earnings	64,152	38,922	34,466	91,276	137,013
Miscellaneous	363,632	421,664	372,737	386,608	189,277
Transfers	<u>1,082,465</u>	<u>764,665</u>	<u>1,225,142</u>	<u>1,137,687</u>	<u>1,786,112</u>
Total governmental activities	10,465,016	9,858,359	10,447,113	11,184,916	12,151,887

Business-type activities:

Unrestricted investment earnings	41,816	28,677	36,306	43,680	225,730
Transfers	<u>(1,082,465)</u>	<u>(764,665)</u>	<u>(1,225,142)</u>	<u>(1,137,687)</u>	<u>(1,786,112)</u>
Total business-type activities	<u>(1,040,649)</u>	<u>(735,988)</u>	<u>(1,188,836)</u>	<u>(1,094,007)</u>	<u>(1,560,382)</u>
Total primary government	9,424,367	9,122,371	9,258,277	10,090,909	225,730

Changes in Net Assets

Governmental activities:	(1,505,818)	(991,597)	(1,372,695)	(380,661)	693,862
Business-type activities:	<u>2,662,321</u>	<u>3,611,732</u>	<u>477,431</u>	<u>823,313</u>	<u>413,080</u>
Total primary government	<u>1,156,503</u>	<u>2,620,135</u>	<u>(895,264)</u>	<u>442,652</u>	<u>1,106,942</u>

¹ Franchise Fees were previously reports as miscellaneous income in years 2003 thru 2006

Source: Annual Financial Statements

City of Cumberland, Maryland

Fund Balances - Governmental Funds

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year</u> <u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	770,226	39,149	45,909	211,258	999,506
Unreserved	<u>1,535,038</u>	<u>1,142,663</u>	<u>(81,703)</u>	<u>8,176</u>	<u>64,288</u>
Total general fund	<u>2,305,264</u>	<u>1,181,812</u>	<u>(35,794)</u>	<u>219,434</u>	<u>1,063,794</u>
Housing Fund					
Reserved	14,858	30,711	34,585	29,340	19,636
Unreserved	<u>65,006</u>	<u>72,338</u>	<u>37,866</u>	<u>(15,681)</u>	<u>(21,042)</u>
Total housing fund	<u>79,864</u>	<u>103,049</u>	<u>72,451</u>	<u>13,659</u>	<u>(1,406)</u>
All Other Governmental Funds					
Reserved	640,256	593,562	571,268	568,889	511,654
Unreserved	<u>1,157,023</u>	<u>226,457</u>	<u>(228,020)</u>	<u>(313,935)</u>	<u>2,025,669</u>
Total all other governmental funds	1,797,279	820,019	343,248	254,954	2,537,323
All Governmental Funds					
Total Fund Balance All Governmental Funds	<u>4,182,407</u>	<u>2,104,880</u>	<u>379,905</u>	<u>488,047</u>	<u>3,599,711</u>

Source: Annual Financial Statements

City of Cumberland, Maryland

Changes in Fund Balances - Governmental Funds

	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
Taxes	7,725,846	7,664,751	7,876,051	8,445,424	8,652,112
Licenses and permits	161,295	132,615	109,803	189,907	1,129,714
Intergovernmental	8,007,629	8,312,003	7,206,070	7,215,047	7,393,334
Charges for Services	862,361	1,026,313	1,002,146	1,123,787	1,210,380
Fines and Forfeitures	5,081	4,646	2,520	793	25
Interest	69,670	42,538	38,257	95,332	140,472
Miscellaneous	<u>547,477</u>	<u>609,705</u>	<u>556,262</u>	<u>563,407</u>	<u>677,262</u>
Total revenue	<u>17,379,359</u>	<u>17,792,571</u>	<u>16,791,109</u>	<u>17,633,697</u>	<u>19,203,299</u>
Expenditures:					
Current Operations					
General Government	1,717,065	1,766,887	1,862,090	1,848,084	2,049,116
Public Safety	8,736,735	8,588,961	8,700,636	9,601,532	10,008,301
Public Works	3,104,463	2,747,694	3,184,789	2,467,915	2,608,485
Recreation	985,084	896,376	1,040,133	1,138,786	1,008,340
Community development and housing	3,963,105	4,719,401	4,116,848	3,505,883	3,362,049
Capital Outlay	452,363	1,503,702	449,720	116,420	916,129
Debt Service					
Principal	426,470	488,690	585,934	790,555	763,831
Interest	268,892	276,610	255,809	261,936	299,992
Bond issue costs			<u>25,267</u>	<u>7,998</u>	<u>8,007</u>
Total Expenditures	<u>19,654,177</u>	<u>20,988,321</u>	<u>20,221,226</u>	<u>19,739,109</u>	<u>21,024,250</u>
Excess (deficiency) revenue over expenditures	(2,274,818)	(3,195,750)	(3,430,117)	(2,105,412)	(1,820,951)
Other Financing Sources (Uses)					
Transfers-in	1,378,019	1,558,573	1,344,611	1,185,643	2,297,823
Transfers-out	(295,554)	(793,910)	(119,469)	(47,956)	(511,711)
Financing Proceeds	1,448,655	349,238	480,000	1,057,100	3,118,258
Refunding Proceeds		69,992		417,144	1,226,597
Payment to refund bonds		<u>(65,670)</u>		<u>(398,377)</u>	<u>(1,198,352)</u>
Total Other Financing Sources (Uses)	<u>2,531,120</u>	<u>1,118,223</u>	<u>1,705,142</u>	<u>2,213,554</u>	<u>4,932,615</u>
Net change in fund balances	256,302	(2,077,527)	(1,724,975)	108,142	3,111,664
Debt Service as percentage of non-capital expenditures	3.62%	3.93%	4.26%	5.36%	5.29%

Source: Annual Financial Statements

City of Cumberland, Maryland

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Other Yr Collections	Abatements	Delinquent Tax Collections and Adjustments	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2007	6,195,503	5,771,509	93.16%			N/A	5,771,509	93.16%	416,055	6.72%
2006	5,308,504	4,965,335	93.54%	140,723	9,846	150,569	5,106,058	96.19%	192,600	3.63%
2005	5,183,117	4,820,393	93.00%	334,002	8,343	342,345	5,154,395	99.45%	20,379	0.39%
2004	4,983,126	4,652,716	93.37%	311,778	5,005	316,783	4,964,494	99.63%	13,627	0.27%
2003	4,759,251	4,401,022	92.47%	325,758	2,423	328,181	4,726,780	99.32%	30,048	0.63%
2002	4,670,932	4,296,778	91.99%	342,629	4,020	346,649	4,639,407	99.33%	27,505	0.59%
2001	5,430,220	5,024,951	92.54%	382,058	5,458	387,516	5,407,009	99.57%	17,753	0.33%
2000	5,445,043	5,056,591	92.87%	349,856	24,606	374,462	5,406,447	99.29%	13,990	0.26%
1999	5,207,341	4,785,608	91.90%	366,655	12,037	378,692	5,152,263	98.94%	43,041	0.83%
1998	4,832,016	4,381,540	90.68%	417,883	1,950	419,833	4,799,423	99.33%	30,643	0.63%

Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Privately Owned Railroads and Public Utilities</u>		<u>Total</u>		<u>Ratio of Total Assessed Value to Total Estimated Actual Value</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
2007	\$651,505,538	\$651,505,538	\$1,996,728	\$1,996,728	\$42,019,704	\$42,019,704	\$734,371,741	\$734,371,741	100
2006	607,847,477	607,847,477	2,145,639	2,145,639	41,165,849	41,165,849	696,719,635	696,719,635	100
2005	543,954,320	543,954,320	2,376,713	2,376,713	40,624,961	40,624,961	675,629,291	675,629,291	100
2004	570,157,798	570,157,798	2,462,827	2,462,827	41,645,527	41,645,527	648,642,064	648,642,064	100
2003	545,342,890	545,342,890	2,802,532	2,802,532	45,195,232	45,195,232	631,323,461	631,323,461	100
2002	534,386,927	534,386,927	2,710,844	2,710,844	43,907,131	43,907,131	618,470,790	618,470,790	100
2001	208,582,385	521,455,962	1,508,385	1,508,385	42,908,692	42,908,692	283,683,731	709,209,327	40
2000	207,568,969	518,922,422	2,758,664	2,758,664	40,886,183	40,886,183	284,594,046	711,485,115	40
1999	198,753,473	496,883,682	3,101,870	3,101,870	29,418,740	29,418,740	274,748,588	686,871,470	40
1998	184,428,081	461,070,202	3,306,827	3,306,827	34,824,920	34,824,920	253,444,121	633,610,302	40

Notes: As the result of a change to state law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001.

Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

City of Cumberland, Maryland

Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Tax Rate per \$100 of Assessed Value</u>				<u>... Tax Levies ...</u>			
	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>
2007	\$0.9479	\$0.9828	\$0.112	\$2.04	\$6,175,620	\$6,402,996	\$729,686	\$13,308,302
2006	0.9479	0.9309	0.112	1.99	5,308,503	6,485,763	780,325	12,574,591
2005	0.872	0.9248	0.132	2.00	5,183,117	6,248,219	891,830	12,323,166
2004	0.872	1	0.132	2.00	4,983,126	6,486,420	856,207	12,325,753
2003	0.872	0.9838	0.132	1.99	4,759,251	6,210,960	833,346	11,803,557
2002	0.872	0.984	0.084	1.94	4,670,932	6,085,752	519,515	11,276,199
2001	2.6	0.904	0.084	3.59	5,430,220	2,564,500	238,294	8,233,014
2000	2.62	0.904	0.21	3.73	5,445,044	2,572,730	597,647	8,615,421
1999	2.62	0.904	0.21	3.73	5,207,341	2,483,727	576,972	8,268,040
1998	2.62	0.9	0.21	3.73	4,832,016	2,280,997	532,232	7,645,245

Notes: City Tax Levies calculated by adding full and semi levies. County and State calculated by using County assessment numbers in the Allegany County Comprehensive Annual Financial Report (2006) and (2007).

Source: Assessed value for County and State according to the Allegany County Comprehensive Annual Financial Report 2006 and 2007.

City of Cumberland, Maryland

Ten Largest Taxpayers
Corporation Real Property Taxes

Fiscal Year 2007

<u>Name</u>	<u>Assessment</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Real Property in the City</u>
CSX Transportation Inc.	\$6,756,990	\$64,050	2.45%
Sacred Heart Hospital	6,248,900	59,233	2.27
W2001 Eastern Hotel Realty, LP	5,188,200	49,179	1.88
S-N Realty, LLC	4,804,466	45,542	1.74
Perini Services - Devlin Manor	4,416,600	41,865	1.6
Cumberland Manor Associates	4,000,000	37,916	1.45
Cumberland Plaza Associates, LP	3,368,000	31,925	1.22
Memorial Hospital - Medical Center	3,270,466	31,001	1.19
American Trust Bank	3,153,333	29,890	1.14
1050 Industrial Boulevard, LLC	<u>3,000,000</u>	<u>28,437</u>	<u>1.09</u>
Percentage of total taxes for year			16.03
Total Corporation Real Property Taxes	\$44,206,955	\$419,038	

City of Cumberland, Maryland

Ten Largest Taxpayers
Corporation Real Property Taxes

Fiscal Year 1998

<u>Name</u>	<u>Assessment</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Real Property in the City</u>
Cumberland Manor Associates	\$1,937,740	\$50,769	2.34%
Cumberland Plaza Associates, LP	1,296,440	33,967	1.57
1050 Industrial Boulevard, LLC	1,292,810	33,872	1.56
Memorial Hospital - Medical Center	1,229,860	32,222	1.49
Sacred Heart Hospital	1,118,020	29,292	1.35
Avirett Development Company	998,330	26,156	1.21
Steinbach, Louis & David Trustees	947,270	24,582	1.14
Nationwide Health Prop Finance CRP	934,780	24,491	1.13
Global Marketing Systems	709,660	18,593	0.86
Cumberland Associates, LTD	<u>701,620</u>	<u>18,382</u>	<u>0.85</u>
Percentage of total taxes for year			13.49
Total Corporation Real Property Taxes	\$82,783,400	\$1,878,015	

City of Cumberland, Maryland

Ten Largest Taxpayers Corporation Personal Property Tax

Fiscal Year 2007

<u>Name</u>	<u>Assessments</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Corporation Personal Property in the City</u>
Verizon, MD	\$17,747,480	\$455,755	22.42%
Potomac Edison Company	11,252,890	288,974	14.22
Columbia Gas of Maryland, LLC	8,245,600	211,747	10.42
Atlantic Broadband, LLC	3,493,510	89,713	4.41
CSX Transportation Inc.	3,478,460	89,326	4.4
Haystack Imaging Services, LLC	1,274,230	32,722	1.61
HFS Lease Residual Holding, LLC	1,190,710	30,577	1.5
Spherix Incorporated	1,155,880	29,683	1.46
Level 3 Communications	1,145,690	29,421	1.45
Giant Food Stores, LLC	<u>1,018,030</u>	<u>26,143</u>	<u>1.29</u>
Percentage of total taxes for year			63.18
Total Corporation Personal Property Tax	\$79,143,440	\$2,032,304	

City of Cumberland, Maryland

Ten Largest Taxpayers Corporation Personal Property Tax

Fiscal Year 1998

<u>Name</u>	<u>Assessments</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Corporation Personal Property in the City</u>
Verizon, MD	\$15,103,970	\$395,724	24.97%
Potomac Edison Company	10,111,830	264,929	16.72
Columbia Gas of Maryland, Inc	5,470,500	143,327	9.04
CSX Transportation Inc.	3,743,490	98,079	6.19
TCI Cablevision of Maryland, Inc	3,349,400	87,754	5.54
Thomson Newspapers Inc.	1,626,350	42,610	2.69
Mellon Leasing Corporation	996,970	26,120	1.65
Ingerman & Horowitz, LLP	939,650	24,618	1.55
Service Rental Center, Inc	747,310	19,579	1.24
Hills Dept Store Co of Delaware	<u>710,190</u>	<u>18,606</u>	<u>1.17</u>
Percentage of total taxes for year			70.76%
Total Corporation Personal Property Tax	\$70,585,773	\$1,584,792	

City of Cumberland, Maryland

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Population¹</u>	<u>Assessed Value (000's)²</u>	<u>Total Bonded Debt³</u>	<u>Proprietary Funds⁴</u>	<u>Governmental Funds (Net)</u>	<u>Net Governmental Bonded Debt to Assessed Value Ratio</u>	<u>Net Governmental Bonded Debt to Per Capita Ratio</u>
2007	21,518	734,371	\$32,979,947	\$26,987,965	\$5,991,982	8.16%	\$278.46
2006	20,758	696,719	30,508,048	25,881,353	4,626,695	6.64	222.89
2005	20,954	675,629	30,803,596	25,727,725	5,075,871	7.51	242.24
2004	21,199	648,642	31,803,421	26,782,209	6,021,212	9.28	284.03
2003	21,077	631,323	33,712,960	28,396,810	5,316,150	8.42	252.23
2002	21,219	618,470	31,332,053	27,131,565	4,200,488	6.79	197.96
2001	21,426	283,683	29,378,585	24,890,168	4,488,417	15.82	209.48
2000	21,596	284,594	28,632,484	23,921,466	4,711,018	16.55	218.14
1999	21,642	274,748	25,355,168	22,114,772	3,240,396	11.79	149.73
1998	21,518	253,444	26,062,278	22,652,009	3,410,269	13.46%	158.48

¹ Source: City of Cumberland – Community Development.

² Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

³ Source: Outstanding Debt at Years End – Financial Report.

⁴ Source: Notes to the Financial Statement.

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

June 30, 2007

<u>Municipality</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City (rounded)</u>	<u>Amount Applicable to the City</u>
City of Cumberland - General Obligation Bonds ¹	\$5,991,982	100.00%	\$5,991,982
Allegany County, Maryland ²	<u>40,211,723</u>	23.54%	<u>\$9,465,840</u>
Total debt and overlapping debt	\$46,203,705		\$15,457,822

¹ Source: Notes to the Financial Statement.

² Source: According to the Allegany County Comprehensive Annual Financial Report 2007.

City of Cumberland, Maryland

Ratios of Annual Debt Service Expenditures For General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
2007	\$715,842	\$271,527	\$987,369	\$15,235,900	6.50%
2006	746,627	230,230	976,857	15,824,776	6.17
2005	572,126	247,077	819,203	15,014,078	5.45
2004	421,052	264,566	685,618	14,560,024	4.71
2003	359,222	252,693	611,915	14,347,280	4.27
2002	395,113	240,221	635,334	14,748,061	3.58
2001	353,603	256,611	610,214	14,511,327	4.21
2000	292,038	225,306	517,344	14,124,672	3.66
1999	249,487	189,968	439,455	14,377,238	3.06
1998	1,416,769	187,834	1,604,603	15,569,408	10.31

Source: Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual, General Fund – Financial Report.

City of Cumberland, Maryland

Economic and Demographic Statistics

	<u>Calendar Year</u>	<u>Population¹</u>		
	1950	37,679		
	1960	33,415		
	1970	29,724		
	1980	25,933		
	1990	23,712		
	2000	21,518		
	2005	20,915		
	<u>Employment in Cumberland, Maryland²</u>			
	2000 (estimated)	9,184		
	2006 Median Household Income ³	2005 Per Capita Personal Income	2005 Total Personal Income (000's)	
Allegany County	\$38,400	\$25,728	\$1,884,432	
Maryland (Average)	61,975	36,882	9,775,388	

¹ Source: City of Cumberland – Community Development – Legacy Plan.

² Source: United States Census – 2000.

³ Source: <http://www.choosemaryland.org/factsandfigures/demographics/incomedata.html> (Income).

City of Cumberland, Maryland

Number of Employees for Ten Largest Employers within the City for FY 2007

<u>Employer</u>	<u># of Employees</u>
Western Maryland Health System	2,400
CSX Transportation Inc.	925
Spherix Incorporated	435
Allegany College of MD	296
Cumberland Times-News	150
Friends Aware Industries	145
CBIZ Insurance	124
CareFirst BC/BS of Maryland	112
Verizon, MD	112
M&T Bank	110
PharmaCare	110
Total employees for ten largest employersd	4,919
Percent of total employees	70.85%
Total Number of employees for City employers	6,943
Unemployment rate for City for FY 2007	5.30%

Source: Information provided by Economic Development Office
Information was not available for previous years.

City of Cumberland, Maryland
Building Permits Issued and Property Values

Last Ten Fiscal Years

Fiscal Year Ended June 30	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	Number of Units	Value	Number of Units	Value
1998 ¹	-	-	-	-
1999	33	\$7,878,098	30	\$993,546
2000	33	8,012,000	25	671,806
2001	50	17,140,978	31	833,894
2002	34	11,473,530	28	1,283,584
2003	43	8,768,004	25	1,286,100
2004	38	13,830,750	37	2,034,276
2005	44	3,122,964	41	1,277,931
2006	40	13,042,211	104	7,313,839
2007	29	237,472,069	45	2,034,514

Source: Department of Community Development – Codes Technician.

¹ 1998 Building Permit information was not available.

City of Cumberland, Maryland

Employees by Function June 30,2007

General Government

Administration:

Mayor and Council	5
City Administrator	2
City Clerk	1
Personnel	2
Economic Development	3
Finance	13
MIS	4
Community Development	24
Parks and Recreation	7

Public Works:

Administration	3
Engineering	8
Vehicle Maintenance	7
Grounds Maintenance	6
Street Department	18

Police Department 63

Fire Department 63

Enterprise Operations

Water Distribution 25

Water Filtration 9

Waste Water 18

Flood/Sewer 14

Total Employees 295

City of Cumberland, Maryland

Capital Asset Statistics by Function

June 30, 2007

Function

General Government

Public Safety:

Stations	1
Number of Patrol Units	39

Fire:

Stations	3
Number of Vehicles	16

Public Works:

Streets (miles)	189.33
Traffic Signals	24

Enterprise Operations

Water Operations:

Miles of Water Main	142.24
Number of Fire Hydrants	932

Wastewater Operations:

Miles of Storm/Sanitary Sewers	122.72
Number of Treatment Plants	1

City of Cumberland, Maryland

Operating Indicators by Function

June 30, 2007

Function

General Government

Building Permits Issued:

Commercial Permits Issued	29
Residential Permits Issued	45
Total Value of Permits Issued	\$239,506,583

Public Safety:

Traffic Citations (2006)	1,346
Arrests (2006)	2,863

Fire:

Number of Emergency Calls (2006)	4,320
Number of Fire Calls (2006)	1,255

Public Works:

Miles of Streets Maintained	189.33
Street Overlay Cost	\$42,794

Enterprise Operations

Water Operations:

Number of Service Connections	9,253
Average Daily Consumption (Gallons)	8.658 Million
Maximum Daily Capacity of Plant (Gallons)	15 Million

Wastewater Operations:

Number of Service Connections	9,254
Average Daily Treatment (Gallons)	13.761 Million
Maximum Daily Capacity of Plant (Gallons)	15 Million